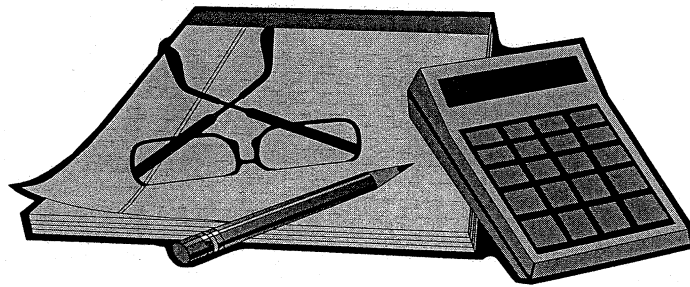


SCHOOL DISTRICT OF TOWNSHIP OF FRANKLIN



Township of Franklin Board of Education
Franklinville, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

Township of Franklin Board of Education

Franklinville, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by:

Franklin Township Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF FRANKLIN BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1-8
Organizational Chart	9
Roster of Officials	10
Consultants and Advisors	11

FINANCIAL SECTION

Independent Auditor's Report	12-13
-------------------------------------	-------

Required Supplementary Information - Part I Management's Discussion and Analysis	14-22
---	-------

Basic Financial Statements

A. District-wide Financial Statements:

A-1 Statement of Net Assets	23
A-2 Statement of Activities	24

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet	25
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	26
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27

Proprietary Funds:

B-4 Statement of Net Assets	28
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Assets	29
B-6 Statement of Cash Flows	30

Fiduciary Funds:

B-7 Statement of Fiduciary Net Assets	31
B-8 Statement of Changes in Fiduciary Net Assets	32

Notes to the Financial Statements	33-52
--	-------

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF FRANKLIN BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS
(Page 2)**

FINANCIAL SECTION (continued)

	<u>Page</u>
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule - General Fund	53-57
C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	N/A
C-1b Education Jobs Fund Program – Budget and Actual	58
C-2 Budgetary Comparison Schedule – Special Revenue Fund	59
Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	60
Other Supplementary Information	
D. School Based Budget Schedules (if applicable)	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Program Revenues and Expenditures – Budgetary Basis	61-62
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	N/A
INTENTIONALLY LEFT BLANK	63-66
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	N/A
F-2(a) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis	N/A
F-2(b) Schedule(s) of Project Revenues, Expenditures, Project Balance, and Project Status – Budgetary Basis	N/A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF FRANKLIN BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS
(Page 3)**

FINANCIAL SECTION (continued)

	<u>Page</u>
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Assets	67
G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets	68
G-3 Combining Schedule of Cash Flow	69
Internal Service Fund:	
G-4 Combining Schedule of Net Assets	70
G-5 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Assets	71
G-6 Combining Schedule of Cash Flows	72
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Assets	73
H-2 Combining Statement of Changes in Fiduciary Net Assets	74
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	75
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	76
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	77
I-2 Schedule of Obligations under Capital Leases	78
I-3 Debt Service Fund Budgetary Comparison Schedule	79

STATISTICAL SECTION (Unaudited)

Financial Trends Information/Schedules

J-1 Net Assets by Component	80
J-2 Changes in Net Assets	81
J-3 Fund Balances – Governmental Funds	82
J-4 Changes in Fund Balance, Governmental Funds	83
J-5 General Fund Other Local Revenue by Source	84

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE TOWNSHIP OF FRANKLIN BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS
(Page 4)**

STATISTICAL SECTION (continued)

	<u>Page</u>
Revenue Capacity Information	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	85
J-7 Direct and Overlapping Property Tax Rates	86
J-8 Principal Property Taxpayers	87
J-9 Property Tax Levies and Collections	88
Debt Capacity Information	
J-10 Ratios of Outstanding Debt by Type	89
J-11 Ratios of General Bonded Debt Outstanding	90
J-12 Direct and Overlapping Governmental Activities Debt	91
J-13 Legal Debt Margin Information	92
Demographic and Economical Information	
J-14 Demographic and Economic Statistics	93
J-15 Principal Employers	94
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	95
J-17 Operating Statistics	96
J-18 School Building Information	97
J-19 Schedule of Required Maintenance Expenditures by School Facility	98
J-20 Insurance Schedule	99

SINGLE AUDIT SECTION

K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100-101
K-2 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and New Jersey OMB Circular Letter 04-04	102-103
K-3 Schedule of Expenditures of Federal Awards, Schedule A	104
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	105
K-5 Notes to Schedules of Awards and Financial Assistance	106-107
K-6 Schedule of Findings and Questioned Costs	108-112
K-7 Summary Schedule of Prior Year Audit Findings	113

INTRODUCTORY SECTION

TOWNSHIP OF FRANKLIN PUBLIC SCHOOLS

3228 COLES MILL ROAD
FRANKLINVILLE, N. J. 08322-3029
Phone: 856-629-9500, Ext. 201
Fax: 856-629-1486
www.franklintwpschools.org

Dr. Barbara R. Morella
Superintendent of Schools

Elizabeth A. DiPietro, CPA
School Business Administrator/
Board Secretary

September 27, 2012

Honorable President and Members
of the Board of Education
Township of Franklin Board of Education
Franklinville, New Jersey 08322

Dear Board Members/Citizens,

It is with pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Township of Franklin School District (District) for the fiscal year ended June 30, 2012. This CAFR includes the District's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The CAFR is presented in four sections as follows:

- ◆ The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the School District;
- ◆ The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information;
- ◆ The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the District, generally presented on a multi-year basis; and
- ◆ The Single Audit Section - The District is required to undergo an annual audit in conformity with the provisions of the Single Audit Act of 1986, as amended, the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 04-04 OMB "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." Information related to this single audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, if any, is included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

The Township of Franklin School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Township of Franklin Board of Education and all its schools constitute the District's reporting entity.

The District continues to maintain a high quality of education. The District provides a full-range of programs and services appropriate to grades pre-K disabled through 6. These include regular education, programs for the very able students (gifted and talented), as well a special education for handicapped children in- and out-of-district. Four elementary schools comprise the district's facilities.

Supervising district-wide goals is a superintendent, a school business administrator/board secretary, a curriculum supervisor, and a supervisor of special services. Technology services are contracted through the Delsea Board of Education as a shared service. Each of the three elementary schools has a principal.

The Board of Education, comprised of nine members, each elected to three-year terms, meets on the third Wednesday of each month for its regular board meeting (with some exceptions) and one time a month for committee meetings. During its committee meetings and board meeting, the board determines district goals and priorities and conducts the business of the Board of Education. Board meetings are open to the public and begin at 7:00 p.m.

PTAs are highly active in the District and provide community support for a variety of programs and activities for the children. To maintain effective communications, each school produces newsletters and the district maintains a website. Each of the schools follows district-wide goals and educational approaches in the teaching of children, while maintaining a unique personality that makes up that particular school. All curricula in our District have been aligned to the New Jersey Core Curriculum Content Standards.

In July 2012, the New Jersey Department of Education released its Taxpayer's Guide to Education Spending for all school districts in the state. The guide compares districts with those who are similar in enrollment/configurations. The information on expenditures was taken from certified budgets on file with the State Department of Education. This report shows that the district spends \$13,201 per pupil while the average costs for similar districts are \$15,776. According to the report, per pupil costs range from a low of \$ 12,593 to a high of \$ 26,236 across the state. Of the 62 other K-6 school districts in the state, the Township of Franklin School District ranked third lowest in total cost per pupil.

Elementary Schools

Currently there are four elementary schools (Mary F. Janvier, Lake School, Main Road, and Caroline L. Reutter) that offer students in grades Pre K disabled through 6 a comprehensive educational program.

Mary F. Janvier School - a Kindergarten to Grade 2 school of 538 students. There is one principal and a staff of 47 teachers and classroom teacher aides/one to one assistants. The school is located on 1532 Pennsylvania Avenue.

Lake School – up through June 2010, this location housed the preschool disabled and inclusion program. Effective in the 2010-11 school year, this program became housed at Main Road School.

Main Road School - a preschool disabled and inclusion program as well as grades 3-4 school of 359 students. There is one principal and a staff of 39 teachers and classroom teacher aides/one to one assistants. The school is located on 1452 Main Road.

Caroline L. Reutter School - a grades 5-6 school of 491 students. There is one administrator and a staff of 43 teachers and classroom teacher aides/one to one assistants. The school is located on 2150 Delsea Drive.

Special Education

The Special Education program is an integral part of each school. In the 2011-12 school year, there were approximately 199 students classified as educationally handicapped in the district. Twenty one students were placed out-of-district. Most of the students were placed in regular classes with resource room support and/or received speech-language services. In addition, pre-school disabled programs are offered as well as classes for those who have mild-moderate learning and/or language disabilities and one class for multiply disabled students.

Core Curriculum Contents Standards

Our district curriculum is in the process of being aligned with the revised New Jersey Core Curriculum Standards, according to state-defined timelines. It has been completed for all Core Content areas and the district anticipates completion of the special subject areas early in the 2012-13 school year.

Staff Development

The Township of Franklin School District provides its teaching staff with many opportunities for professional development. In the beginning of the school year, all newly hired teachers are afforded the opportunity to participate in the Beginning Teacher Induction Program sponsored by Rowan University. The program encompasses training in instructional strategies, classroom management, curriculum, mentoring, and parent conferencing. Mentors are assigned to new staff members to provide support throughout the school year.

Professional in-service days are built into the school calendar to enable teachers to attend sessions related to instructional strategies, curricular updates, text orientation, and district-wide grade level meetings. Teachers are also afforded the opportunity to participate in various in-district workshops related to their PDPs and/or areas of interest.

Technology

District-wide technology is used to increase productivity, to enhance communication, and to enrich curriculum and instruction. Every classroom, computer lab and office in all three schools and the administration building are linked together in local and wide-area networks. All administrators and teachers, and some of the support staff have access to computers, printers, email accounts and the Internet within their work areas. To assist teachers in presenting lessons and resources to an entire class by way of one computer in a classroom, the District continues to add to its inventory of Smartboards.

Pupil Enrollment

The district completed the 2011-12 fiscal year with an average daily enrollment of 1,388.2 students. Enrollment has declined ten percent over the past five years. The following details the changes in the student enrollment of the district over the last five years. The table presents the actual historical pupil enrollment as of October 15, for the school years 2007-08 through 2011-12.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2011-12	1,388.2	-2.53%
2010-11	1,424.2	0.65%
2009-10	1,415.0	-2.61%
2008-09	1,452.0	-1.93%
2007-08	1,480.5	-3.96%

ECONOMIC CONDITION AND OUTLOOK

Overall enrollments have declined recently, most likely the result of the current economic climate. However, Kindergarten enrollment for the 2012 school year is higher than in previous years. This can be attributed to the implementation of a full-day kindergarten program in 2010-11 rather than an increase in population.

MAJOR INITIATIVES

- Teaching materials to update and replace curricular programs including textbooks, workbooks, resource materials, manipulatives, manuals, etc.
- Continuation of standardized testing which correlates the New Jersey Core Curriculum Content Standards, Common Core and NJ ASK
- Continued implementation of extended school year programs for identified special education students and basic skills students
- Professional development for certified staff
- Continuation of Gifted and Talented Program
- Continued shared services of Network Technicians and similar services
- Continued implementation of Technology Plan
- Continued implementation of Comprehensive Maintenance Plan
- Implementation of Long Range Facilities Plan
- Increase special education and Basic Skills teachers for inclusion, co-teaching and pull out instruction
- Continuation of full-day Kindergarten
- Implementation of the STAR assessment for student screening
- Increasing student academic achievement through differentiated instruction
- Implement Read 180, Wilson Reading and Waterford Early Literacy
- Employ guidance counselor, math coach, language literacy coach, two reading specialists and six cafeteria/student assistance aides

GOALS, OBJECTIVES AND ACHIEVEMENTS

Mary F. Janvier School

- Objective: By the spring of 2012, grade 2 students will improve in their reading comprehension. Objective attainment will be demonstrated by an overall 15 percent increase in percentile score on the Gray's Silent reading Test.
- Objective: By the spring of 2013, grade 1 students will be able to create an organized, comprehensive writing sample that demonstrates focused idea development.
- Objective: By the spring of 2012, kindergarten students will demonstrate readiness to utilize the components of the Writing Academy as well as be prepared to apply reading comprehension strategies utilized in grade 1.

Main Road School

- Objective: By the spring of 2012, the general population will increase NJ ASK (grades 3-4) scores by 10 percent in Language Arts Literacy.
- Objective: By the spring of 2012, the general population will increase NJ ASK (grades 3-4) scores in Mathematics by 10 percent.

- **Objective:** By the spring of 2012, the general population will increase NJ ASK (grades 5-6) scores in Language Arts Literacy by 10 percent.
- **Objective:** By the spring of 2012, the general population will increase NJ ASK (grades 5-6) scores in mathematics by 10 percent.

Results: As of the date of this letter, the results cannot be published because the district has not yet received level two testing results from the State of New Jersey.

PROFESSIONAL DEVELOPMENT ACTIVITIES

District personnel participated in a variety of professional development activities in accordance with the Township of Franklin's Professional Development Plan that incorporates district and school goals. Activities were also relevant to individual professional development plans, student achievement needs, curriculum development and content standards:

- Tuition reimbursement was provided to teachers for graduate course work.
- Grade level meetings were conducted district wide to implement district initiatives and to improve programs.
- Vertical articulation meetings with our constituent districts were held to discuss curriculum and standards.
- Teachers provided turnkey training and developed their own workshops in areas of expertise.
- All employees received school security and Harassment, Intimidation and Bullying training as well as other state mandated trainings.
- New teachers were provided with an in-district Beginning Teacher Induction that focused on classroom management and motivating instructional techniques.
- Specific teacher development included:
 - The Writing Academy
 - Smart Board Integration
 - Columbia University's Reading and Writing Project (Lucy Calkins)
 - Co-Teaching
 - RTI
 - NJ ASK Preparation Strategies (Math and Language Arts Literacy)
 - EnVision Math

Achievements

Students in Caroline L. Reutter School achieved either safe harbor or AYP in middle school mathematics, and elementary language arts. All students in grades 3-6 in both Main Road School and Caroline L. Reutter School made growth in the area of language arts literacy. All grade levels have implemented benchmark assessments in the areas of mathematics and language arts to further assist in guiding instruction for individual students. Franklin is continuing to install Smart Boards in the district's classrooms and subsequently, increasing the integration of technology. The EnVision Math program has been successfully implemented in grades K-6 and teachers have aligned course content in English Language Arts to the Common Core Standards.

The second year of full-day Kindergarten has proved to be quite successful. Teachers have reported that students exited the grade level having achieved more curricular learning objectives than ever before. Over 95% of Kindergarten students progressed to 1st grade with the ability to produce complete sentences and understand the traits of good writing.

Community Support

Resources and Links to Social Service Agencies:

Division of Youth and Family Services
United Way of Gloucester County
N.J. State Police - Safety Patrol Program
U.S. Marine Corps - Toys for Tots
Together - Coats for Kids Program
N.J. Dental Health Dept. - Fluoride Program
Kessler Memorial Hospital Outreach Program
American Heart Association
American Red Cross
American Cancer Society
Gloucester County Dept. of Youth Services - Project Aware

Veterans of Foreign Wars - Loyalty Day
Twp. of Franklin Police Dept. - DARE Program
Camden County Mental Health Assn.
Gloucester County Sheriff - Fingerprinting Project
N.J. Head Injury Assn. - Bicycle Safety
American Lung Association
Epilepsy Foundation of America
American Diabetes Association
Lyme Disease Foundation
Library for the Blind and Handicapped
Food Bank of South Jersey
Commission for the Blind and Visually Impaired
Child Assault Prevention
Special Children's Health Services

Community Involvement

The district involved the community in the following ways during the 2009-10 school year:

Malaga, Star Cross, Franklinville, Janvier, Forest Grove Fire Departments - Prevention Program
Toys for Tots Collection Program - U.S. Marine Corps
Holiday Music Programs
Canned Goods Drive
Recycling Projects
Sentinel Newspaper - Publishing of School Events
Gloucester County Times Newspaper - Publishing of School Events
Safe Kids Program
Township of Franklin Police Department - Assembly, School Violence Awareness
Assembly Honoring Veterans - VFW Ladies Auxiliary

Parental Involvement

Library Parent Volunteer Program
Fluoride Parent Volunteer Program
School Nurse Parent Volunteer Program
Parent Visitation Day
Teacher-Parent Conferences
Back to School Night
Preschool Disabled Program -
Monthly Activity Day
Project THINK
Musical Presentations
Classroom Star of the Week Program
Parent Education Workshops

Parent-Teacher Association
Child Assault Prevention Program
Family Fun Night
Budget Committee
Participation As Members of the School-Level Planning Teams
Curbing Hunger Program
Kindergarten Orientation Program
Reading Workshops
Bullies/Victims Program
Grandparents' Day Program
Grade 3 Orientation

INTERNAL ACCOUNTING CONTROLS

Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District is also responsible for ensuring that an adequate internal control is in place to ensure compliance with applicable laws, regulations, contracts and grants related to those programs. This internal control system is also subject to periodic evaluation by the District management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

BUDGETARY CONTROL

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved, as needed, for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at fiscal year end.

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements," Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability, and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation. A schedule of insurance coverage is found in J-20.


OTHER INFORMATION

Independent Auditor - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa was selected by the Board to perform the audit. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet requirements of the Single Audit Act of 1996, as amended, and the related OMB Circular A-133 and the New Jersey OMB Circular 04-04. The auditors' report on the basic financial statements as well as both the required and other supplementary information is included in the financial sections of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

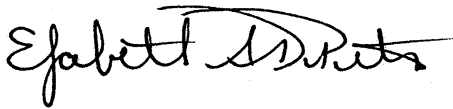
ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Township of Franklin School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our bookkeeping and secretarial staff.

Respectfully submitted,

A handwritten signature in black ink, reading "Barbara R. Morella". The signature is fluid and cursive, with the first name being the most prominent.

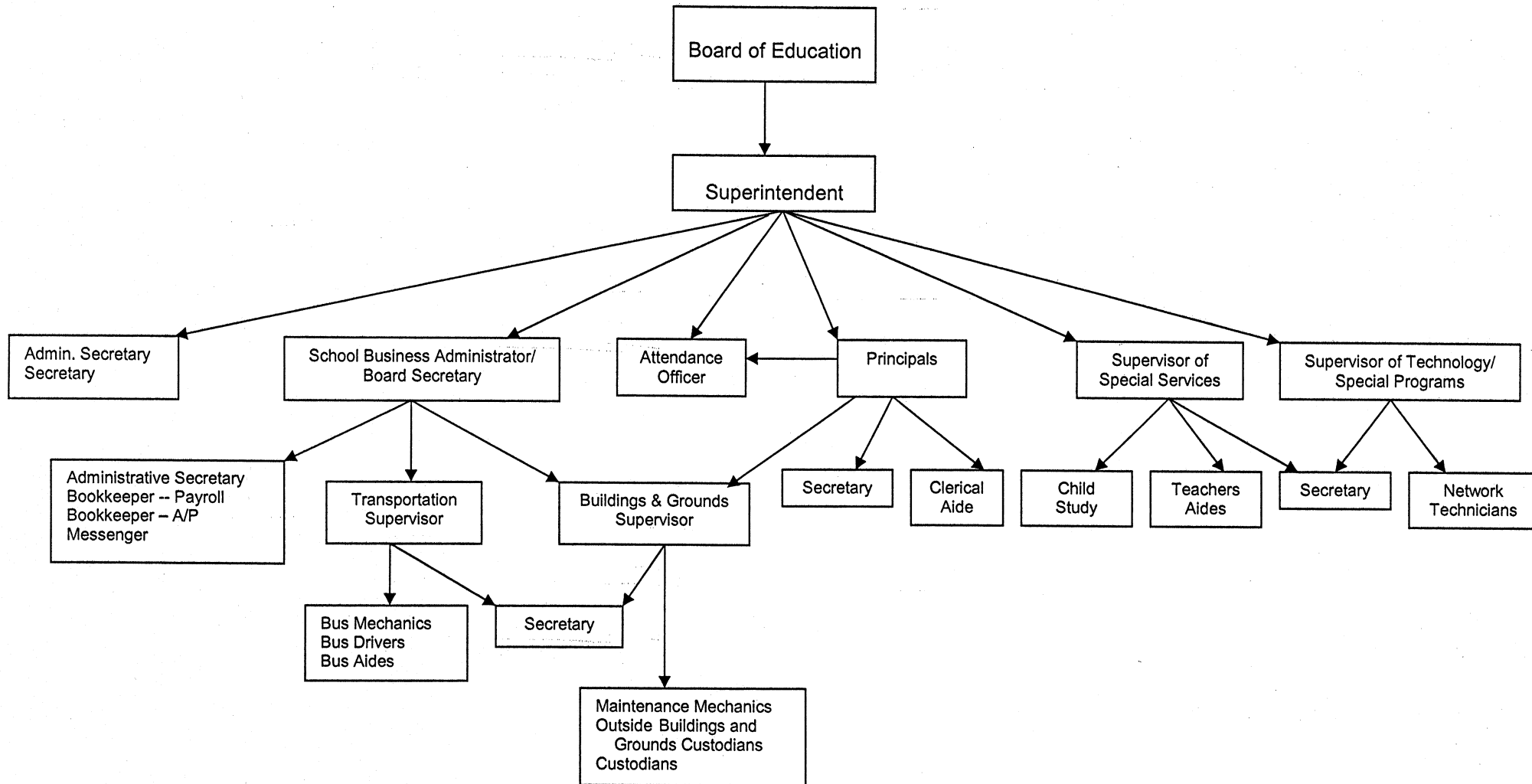
Dr. Barbara R. Morella
Superintendent

A handwritten signature in black ink, reading "Elizabeth A. DiPietro". The signature is cursive and somewhat stylized, with the last name being the most prominent.

Elizabeth A. DiPietro
School Business Administrator/
Board Secretary

TOWNSHIP OF FRANKLIN BOARD OF EDUCATION

Organizational Chart – Unit Control



**TOWNSHIP OF FRANKLIN BOARD OF EDUCATION
FRANKLINVILLE, NEW JERSEY**

**Roster of Officials
June 30, 2012**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Nicholas Christian, President	2015
Stephanie Starr, Vice President	2014
Susan Harnack	2015
Janet Reger	2013
David Busarello	2013
John R. Winner	2013
James Kelly	2014
Michelle Isner	2014
Barbara Ciancaglini	2015

<u>Other Officials</u>	<u>Amount of Bond</u>
Dr. Barbara R. Morella, Superintendent	
Thomas J. Flemming, Superintendent (To: June 30, 2012)	
Elizabeth A. DiPietro, CPA, School Business Administrator	\$10,000
B. Michael Borelli, Esq., Board Solicitor	

**TOWNSHIP OF FRANKLIN BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

ARCHITECT

Garrison Architects
130 Presidential Boulevard
Bala Cynwyd, PA 19004

AUDIT FIRM

Nightlinger, Colavita and Volpa, P.A.
P.O. Box 799
Williamstown, NJ 08094

ATTORNEY

B. Michael Borelli, Esq
40 N. Woodbury-Glassboro Rd.
Pitman, NJ 08071

ENGINEER(S)

Engineering Design Associates, PA
5 Cambridge Drive
Ocean View, NJ 08230

EPIC Environmental
1930 Brown Road
401 St. James Place
Newfield, NJ 08344

OFFICIAL DEPOSITORY

Newfield National Bank
18-24 West Boulevard
Newfield, NJ 08344

INSURANCE AGENTS

The Borelli Agency, Inc.
333 Dutch Mill Road
Malaga, NJ 08328

Conner Strong Companies, Inc.
P.O. Box 358
Bridgeton, NJ 08302

LDP Consulting Group, Inc.
80 Lambert La., Ste. 140
Lambertville, NJ 08530

Ebcon Insurance Group
PO Box 221
Rancocas, NJ 08073

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

September 27, 2012

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Township of Franklin School District
County of Gloucester
Franklinville, New Jersey 08322

Mesdames and Gentlemen:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Township of Franklin School District in the County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Township of Franklin School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Franklin Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Franklin Board of Education in the County of Gloucester, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

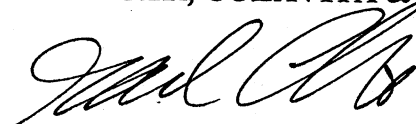
In accordance with Government Auditing Standards, we have also issued a report dated September 27, 2012 on our consideration of the Township of Franklin Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 14 through 22 and 53 through 59 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Franklin Board of Education's, financial statements as a whole. The introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy For Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTAL
INFORMATION - PART I

**Township of Franklin School District
Management's Discussion and Analysis
for the Year Ended June 30, 2012**

UNAUDITED

The discussion and analysis of the Township of Franklin School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- General revenues accounted for \$17,766,313.77 in revenue or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital gains and contributions accounted for \$2,702,958.54 or 13 percent to total revenues of \$20,469,272.31.
- The School District had \$19,807,122.89 in expenses; only \$2,702,958.54 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and unrestricted governmental aid) of \$17,766,313.77 basically provided for these programs.
- The General Fund had \$18,882,063.67 in revenues and \$18,246,694.39 in expenditures and (\$16,895.00) in net other financing uses. The General Fund's balance increased \$618,474.28 over 2011.
- Total assets of governmental activities were \$12,386,522.39. Capital assets made up 69 percent of all assets or \$8,558,892.93. Total Net Assets of governmental activities was \$11,433,136.22.

Using This Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of Franklin School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of the Township of Franklin School District, the General Fund is by far the most significant fund.

**Township of Franklin School District
Franklinville, New Jersey**

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially in 2012?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial positions of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** - All of the District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activities** - This service is provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The Food Service Enterprise Fund is reported as a business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major (all) funds begins on page 25. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Special Revenue Fund, Capital Project Fund and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

**Township of Franklin School District
Franklinville, New Jersey**

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a comparative summary of the School District's net assets for 2012 and 2011.

**Table 1
Net Assets**

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 3,920,721.22	\$ 3,162,036.47
Capital Assets, Net	8,626,595.49	8,823,035.00
	<u>12,547,316.71</u>	<u>11,985,071.47</u>
Total Assets		
	<u>12,547,316.71</u>	<u>11,985,071.47</u>
Liabilities		
Long-term Liabilities	371,548.86	616,358.18
Other Liabilities	607,293.14	462,388.00
	<u>978,842.00</u>	<u>1,078,746.18</u>
Total Liabilities		
	<u>978,842.00</u>	<u>1,078,746.18</u>
Net Assets		
Invested in Capital Assets, Net of Debt	8,406,165.95	8,409,974.19
Restricted	3,428,279.82	2,458,214.08
Unrestricted	(265,971.06)	38,137.02
	<u>11,568,474.71</u>	<u>10,906,325.29</u>
Total Net Assets	<u>\$ 11,568,474.71</u>	<u>\$ 10,906,325.29</u>

**Township of Franklin School District
Franklinville, New Jersey**

Table 2 shows the changes in net assets from fiscal year's 2012 and 2011. Revenue and expense comparisons to fiscal year 2011 are presented as a comparative analysis of district-wide data.

Table 2
Changes in Net Assets

	2012	2011
Revenues		
Programs Revenues		
Charges for Services	\$ 323,401.00	\$ 342,208.46
Operating Grants and Contributions	2,379,557.54	2,136,557.35
General Revenues		
Property Taxes	8,685,478.00	8,690,018.00
Grants and Entitlements	8,595,288.39	8,202,894.35
Other	485,547.38	540,282.59
Total Revenues	20,469,272.31	19,911,960.75
Program Expenses		
Instruction	7,612,348.08	7,465,453.41
Support Services		
Pupils and Instructional Staff	1,784,902.86	1,622,989.03
General Administration, School		
Administration, Business	1,430,350.71	1,335,551.54
Operations and Maintenance of		
Facilities	1,627,003.38	1,580,662.04
Pupil Transportation	1,577,966.81	1,432,384.66
Employee Benefits	4,750,608.39	4,346,158.42
Interest on Debt	16,665.76	26,592.76
Food Service	609,962.43	585,957.10
Other	397,314.47	553,239.66
Total Expenses	19,807,122.89	18,948,988.62
Increase (Decrease) in Net Assets	\$ 662,149.42	\$ 962,972.13

The total revenue of the District was \$20,469,272.31. The percentage breakdown by various classification of revenue is as follows:

Sources of Revenues for Fiscal Year 2012

Property Taxes	42.4%
Federal/State Grants	53.6%
Other	4.0%

**Township of Franklin School District
Franklinville, New Jersey**

The total cost of all programs and services of the District was \$19,807,122.89. The percentage breakdown by various classification of expenditure is as follows:

Expenses for Fiscal Year 2012

Instruction	38.4%
Support	9.0%
Employee Benefits	24.0%
Maintenance and Operations	8.2%
Administration	7.2%
Transportation	8.0%
Depreciation and Debt Service	2.1%
Food Service	3.1%

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the District operations. Property taxes made up 42.4 percent of revenues for governmental activities for the Township of Franklin School District for fiscal year 2012. Federal, state and local grants accounted for another 42 percent. The District's total Governmental Fund revenues, excluding the Enterprise fund, were \$19,882,698.15 for the fiscal year ended June 30, 2012.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Comparisons to 2011 are also shown below.

Table 3

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>	<u>Total Cost of Services 2011</u>	<u>Net Cost of Services 2011</u>
Instruction	\$ 7,612,348.08	\$ 6,941,943.23	\$ 7,465,453.41	\$ 6,766,957.57
Support Services				
Pupils and Instructional Staff	1,784,902.86	1,688,502.49	1,622,989.03	1,592,875.92
General Administration, School				
Administration, Business	1,430,350.71	1,430,350.71	1,335,551.54	1,335,551.54
Operation and maintenance				
of Facilities	1,627,003.38	1,627,003.38	1,580,662.04	1,580,662.04
Pupil Transportation	1,577,966.81	1,577,966.81	1,432,384.66	1,432,384.66
Employee Benefits	4,750,608.39	3,417,924.23	4,346,158.42	3,205,130.06
Interest on Debt	16,665.76	16,665.76	26,592.76	26,592.76
Food Service	609,962.43	6,493.27	585,957.10	(23,171.40)
Other	397,314.47	397,314.47	553,239.66	553,239.66
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	\$ 19,807,122.89	\$ 17,104,164.35	\$ 18,948,988.62	\$ 16,470,222.81
	<hr/>	<hr/>	<hr/>	<hr/>

**Township of Franklin School District
Franklinville, New Jersey**

Instruction expenses include activities dealing directly with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. General administration, school administration and business include expenses associated with administrative and financial supervision of the District. Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public. Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law. Extracurricular activities includes expenses related to student activities provided by the District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement. Interest and fiscal charges involve the transactions associated with the payment of interest and other charges related to debt of the District. Other includes unallocated depreciation and amortization.

Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- Total food service expense of \$609,962.43 was \$6,493.27 more than program revenues.
- Charges for services were \$323,401.00 categorized as program revenue. This represents amounts paid by patrons for daily food services.
- Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities were \$280,068.16.

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$19,882,698.15 and expenditures of \$19,247,328.63 with net additional financing uses of \$16,895.00, representing the transfer to Charter Schools. The net increase in fund balance for the year was \$618,474.52. This was mainly due to revenues in excess of expenditures of \$618,474.28 of the general fund, combined with excess revenues over expenditures in the debt service account of \$.24.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2012, and the amount and percentage of increases and decreases in relation to prior year revenues.

**Township of Franklin School District
Franklinville, New Jersey**

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2011</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 9,187,920.38	46.21%	\$ (876.69)	-0.01%
State Sources	9,574,459.97	48.15%	255,346.25	2.95%
Federal Sources	1,120,317.80	5.63%	366,899.86	17.78%
Total	<u>\$ 19,882,698.15</u>	<u>100.00%</u>	<u>\$ 621,369.42</u>	<u>3.22%</u>

The decrease in local sources is attributable to increases in tuition of \$28,577.94 and interest earned of \$2,942.62, offset by decreases in local tax levy of \$4,540.00, transportation of \$23,868.57 and miscellaneous of \$3,988.68.

The increase in state aid is attributed to increases in various public aid of \$535,240.56, which includes increases in on-behalf TPAF pension and health cost and social security contributions of \$182,666.56, offset by decreases in other state aid out of cap of \$92,266.31 and the change in delayed state aid payment in the amount of \$187,628.00.

The increase in federal sources is attributed to increased grant awards in the amount of \$366,899.86

The following schedule presents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal year ended June 30, 2012:

<u>Expenditure</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2011</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 7,625,324.85	39.62%	\$ 64,631.44	0.82%
Undistributed Expenditures	11,042,670.59	57.37%	782,975.08	7.41%
Capital Outlay	379,284.43	1.97%	17,699.43	5.08%
Debt Service:				
Principal	185,000.00	0.96%	5,000.00	2.94%
Interest	15,048.76	0.08%	(6,975.00)	-24.38%
Total	<u>\$ 19,247,328.63</u>	<u>100.00%</u>	<u>\$ 863,330.95</u>	<u>4.55%</u>

The increase in instructional expenditures is attributed to increased special education instruction of \$81,729.27 and other instruction of \$74,189.54 offset by a decrease in regular instruction wages of \$91,287.37.

The increase in Undistributed Expenditures was attributed to increased student support costs of \$201,698.13, other administrative line items of \$94,578.08, plant operations and maintenance of \$12,058.64, pupil transportation costs of \$7,980.45, employee benefits of \$324,377.64, on-behalf TPAF pension and social security contributions of \$182,666.56, offset by decreases in tuition costs of \$39,784.30, and information technology of \$600.12.

The increase in capital outlay expenditures was attributed to equipment and capital lease purchases.

Debt service increased due an increase in bond principal and reduced interest payments requirement.

**Township of Franklin School District
Franklinville, New Jersey**

General Fund Budgeting Highlights

The District's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2012, the District amended its General Fund budget as needed. The District uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

While the District's final budget for the general fund anticipated that budgeted fund balance plus revenues would roughly equal expenditures, the actual results for the year show an increase to fund balance of \$658,214.28. Actual revenues were \$269,113.77 higher than expected, excluding on-behalf pension and social security of \$1,307,019.90. Actual expenditures were \$1,181,054.91 less than expected. Actual revenues and expenditures exclude \$1,307,019.90 in reimbursed social security and on-behalf TPAF pension and retired medical cost, which are non-budgeted reimbursements from the state. Other financing sources were expected. Therefore, a positive variance of \$1,450,168.68 resulted from final budget to actual results of operations for the school year ended on June 30, 2012.

Capital Assets

At the end of the fiscal year 2012, the District had \$8,626,595.49 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2012 balances compared to 2011:

Table 4
Capital Assets (Net of Deprecation) at June 30

	<u>2011</u>	<u>2012</u>
Land	\$ 200,445.50	\$ 200,445.50
Site Improvements	33,062.48	30,995.48
Building and improvements	7,214,075.96	7,249,919.93
Machinery and equipment	<u>1,375,451.06</u>	<u>1,145,234.58</u>
Totals	<u>\$8,823,035.00</u>	<u>\$8,626,595.49</u>

Overall capital assets decreased \$196,439.51 from fiscal year 2011 to fiscal year 2012. Increases of \$379,511.43 in capital assets (primarily buildings and improvements, machinery and equipment) were offset by retirements and depreciation expenses for the year of \$575,950.94.

Debt Administration

At June 30, 2012 the District had \$371,548.86 as outstanding debt. Of this amount, \$158,753.32 is for compensated absence, \$15,795.54 is for Capital Leases payable and the balance of \$197,000.00 is for bonds for school construction. At June 30, 2012, the District's overall legal debt margin was \$36,014,663 and the unvoted debt margin was \$35,817,663 or 99.45%.

**Township of Franklin School District
Franklinville, New Jersey**

For the Future

The Township of Franklin School District is presently in good financial condition. However, future finances are not without challenges as state funding is unstable. The District is also dealing with implementing a 2% cap on tax revenues to support appropriations. The Township of Franklin is primarily a residential/rural community, with very few significant ratable; thus the burden is focused on homeowners to foot the tax bill.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Elizabeth A. DiPietro, CPA, School Business Administrator/Board Secretary, at Township of Franklin Board of Education, 3228 Coles Mill Rd., Franklinville, NJ 08322-3029, or email at edipietro@franklintwpschools.org.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE
FINANCIAL STATEMENTS

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Statement of Net Assets
As of June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,234,811.44	\$ 68,729.68	\$ 2,303,541.12
Receivables, Net	420,384.33	8,283.31	428,667.64
Interfunds Receivable	70,496.67		70,496.67
Inventory	0.00	16,078.77	16,078.77
Restricted Assets:			
Capital Reserve Account - Cash	1,101,417.82		1,101,417.82
Deferred Bond Issuance Costs, Net	519.20		519.20
Capital Assets, Net	8,558,892.93	67,702.56	8,626,595.49
Total Assets	12,386,522.39	160,794.32	12,547,316.71
LIABILITIES:			
Accounts Payable	435,461.53	6,716.62	442,178.15
Accrued Interest Payable	2,634.00		2,634.00
Interfund Payable	120,100.99		120,100.99
Deferred Revenue	23,640.79	18,739.21	42,380.00
Noncurrent Liabilities			
Due within One Year	217,795.54		217,795.54
Due beyond One Year	153,753.32		153,753.32
Total Liabilities	953,386.17	25,455.83	978,842.00
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	8,338,463.39	67,702.56	8,406,165.95
Restricted for:			
Capital Projects	1,951,417.82		1,951,417.82
Other Purposes	1,404,196.00		1,404,196.00
Unrestricted	(260,940.99)	67,635.93	(193,305.06)
Total Net Assets	\$ 11,433,136.22	\$ 135,338.49	\$ 11,568,474.71

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ 5,520,612.33	\$	\$ 670,404.85	\$ (4,850,207.48)	\$	\$ (4,850,207.48)
Special Education	1,608,406.09			(1,608,406.09)		(1,608,406.09)
Other Instruction	483,329.66			(483,329.66)		(483,329.66)
Support Services:						
Tuition	308,267.08			(308,267.08)		(308,267.08)
Student & Instruction Related Services	1,476,635.78		96,400.37	(1,380,235.41)		(1,380,235.41)
General Administrative Service	493,397.37			(493,397.37)		(493,397.37)
School Administrative Service	555,177.97			(555,177.97)		(555,177.97)
Central Services	284,078.26			(284,078.26)		(284,078.26)
Administration Information Technology	97,697.11			(97,697.11)		(97,697.11)
Plant Operations and Maintenance	1,627,003.38			(1,627,003.38)		(1,627,003.38)
Pupil Transportation	1,577,966.81			(1,577,966.81)		(1,577,966.81)
Employee Benefits	4,750,608.39		1,332,684.16	(3,417,924.23)		(3,417,924.23)
Amortization of Debt Issue Costs	3,564.90			(3,564.90)		(3,564.90)
Interest on Long-term Debt	16,665.76			(16,665.76)		(16,665.76)
Unallocated Depreciation and Amortization	393,749.57			(393,749.57)		(393,749.57)
Total Governmental Activities	19,197,160.46		2,099,489.38	(17,097,671.08)		(17,097,671.08)
Business-type Activities:						
Food Service	609,962.43	323,401.00	280,068.16		(6,493.27)	(6,493.27)
Total Business-type Activities	609,962.43	323,401.00	280,068.16	0.00	(6,493.27)	(6,493.27)
Total Primary Government	\$ 19,807,122.89	\$ 323,401.00	\$ 2,379,557.54	\$ (17,097,671.08)	\$ (6,493.27)	\$ (17,104,164.35)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 8,485,429.00	\$	\$ 8,485,429.00
Taxes Levied for Debt Service				200,049.00		200,049.00
Federal and State Aid not Restricted				8,595,288.39		8,595,288.39
Tuition and Transportation Fees received				255,879.75		255,879.75
Transportation Fees				165,206.71		165,206.71
Investment Earnings				20,500.91		20,500.91
Miscellaneous Income				60,855.01		60,855.01
Cancellation of Capital Lease				0.00		0.00
Transfer - Charter School				(16,895.00)		(16,895.00)
				17,766,313.77	0.00	17,766,313.77
Change in Net Assets				668,642.69	(6,493.27)	662,149.42
Net Assets - Beginning				10,764,493.53	141,831.76	10,906,325.29
Net Assets - Ending				\$ 11,433,136.22	\$ 135,338.49	\$ 11,568,474.71

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Balance Sheet
Governmental Funds
As of June 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 2,225,490.93	\$	\$ 0.72	\$ 2,225,491.65
Capital Reserve Account	1,101,417.82			1,101,417.82
Interfund Receivable	139,087.47			139,087.47
Intergovernmental Accounts Receivable - State	54,178.21			54,178.21
Intergovernmental Accounts Receivable - Federal	9,567.26	98,427.08		107,994.34
Intergovernmental Accounts Receivable - Local	234,244.64	3,772.40		238,017.04
Accounts Receivable - Other	20,194.74			20,194.74
Total Assets	\$ 3,784,181.07	\$ 102,199.48	\$ 0.72	\$ 3,886,381.27
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 391,746.87	\$ 19,287.68	\$	\$ 411,034.55
Interfund Payable	120,100.99	68,590.80		188,691.79
Payable to Other Local Government	24,426.98			24,426.98
Deferred Revenue		14,321.00		14,321.00
Total Liabilities	536,274.84	102,199.48		638,474.32
Fund Balances:				
Restricted For:				
Excess Surplus	198,372.00			198,372.00
Excess Surplus - Designated for Subsequent Year's Expenditures	19,048.00			19,048.00
Maintenance Reserve Account	1,010,489.00			1,010,489.00
Capital Reserve Account	1,951,417.82			1,951,417.82
Committed To:				
Year-End Encumbrances	335,690.01			335,690.01
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	176,287.00			176,287.00
Unassigned, Reported In:				
General Fund	(443,397.60)			(443,397.60)
Debt Service Fund			0.72	0.72
Total Fund Balances	3,247,906.23		0.72	3,247,906.95
Total Liabilities and Fund Balances	\$ 3,784,181.07	\$ 102,199.48	\$ 0.72	

Amounts reported for governmental activities in the statement of net assets (A-1) are different because:

The costs associated with the issues of the various bonds are expensed in the governmental funds in the year the bonds are issued, but are capitalized in the Statement of Net Assets. The bond issuance costs are \$19,908.60 and the accumulated amortization is \$19,389.40.	519.20
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$18,394,087.51 accumulated depreciation is \$9,843,310.58	8,558,892.93
Accrued interest is not due and payable in the current period and are therefore not reported as liabilities	(2,634.00)
Long-term liabilities, including bonds payable, capital lease payments, and compensated absence obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(371,548.86)
Net assets of governmental activities	\$ 11,433,136.22

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 8,485,429.00	\$	\$ 200,049.00	\$ 8,685,478.00
Tuition from Other LEAs	235,685.01			235,685.01
Tuition - From Other Gov't Sources In-State	20,194.74			20,194.74
Transportation from Other LEAs	165,206.71			165,206.71
Interest on Investments	15,268.17			15,268.17
Interest on Capital Reserve	5,232.74			5,232.74
Miscellaneous	60,855.01			60,855.01
Total Revenues-Local Sources	8,987,871.38		200,049.00	9,187,920.38
State Sources	9,574,459.97			9,574,459.97
Federal Sources	319,732.32	800,585.48		1,120,317.80
Total Revenues	18,882,063.67	800,585.48	200,049.00	19,882,698.15
EXPENDITURES:				
Current:				
Regular Instruction	4,863,184.25	670,404.85		5,533,589.10
Special Education Instruction	1,608,406.09			1,608,406.09
Other Instruction	483,329.66			483,329.66
Support Services and Undistributed Costs:				
Tuition	308,267.08			308,267.08
Student & Instruction Related Services	1,380,235.41	96,400.37		1,476,635.78
General Administrative Services	492,777.37			492,777.37
School Administrative Services	554,976.76			554,976.76
Central Services	284,078.26			284,078.26
Administration Information Technology	97,697.11			97,697.11
Plant Operations and Maintenance	1,592,720.68			1,592,720.68
Pupil Transportation	1,440,365.11			1,440,365.11
Unallocated Employee Benefits	3,462,468.28	25,664.26		3,488,132.54
On-behalf TPAF Pension Contributions	247,646.00			247,646.00
On-behalf TPAF Pension Contributions	497,834.00			497,834.00
On-behalf TPAF Social Security Contributions	561,539.90			561,539.90
Capital Outlay	371,168.43	8,116.00		379,284.43
Debt Service:				
Principal			185,000.00	185,000.00
Interest			15,048.76	15,048.76
Total Expenditures	18,246,694.39	800,585.48	200,048.76	19,247,328.63
Excess (Deficiency) of Revenues Over (Under) Expenditures	635,369.28	(0.00)	0.24	635,369.52
Other Financing Sources (Uses):				
Transfer to Charter School	(16,895.00)			(16,895.00)
Total Other Financing Sources (Uses)	(16,895.00)			(16,895.00)
Net Change in Fund Balances	618,474.28	(0.00)	0.24	618,474.52
Fund Balance, July 1	2,629,431.95		0.48	2,629,432.43
Fund Balance, June 30	\$ 3,247,906.23	\$ (0.00)	\$ 0.72	\$ 3,247,906.95

The accompanying Notes to Financial Statements are an integral part of this statement.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Net Assets
to the Statement of Activities
For the Fiscal Year Ended June 30, 2012

Total net change in fund balances - governmental funds (from B-2) \$ 618,474.52

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.

Depreciation expense	\$ (568,743.68)	
Capital outlay	379,284.43	
		(189,459.25)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 185,000.00

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities, issuing debt increases long-term liabilities in the statement of net assets.

Capital Lease payments are recorded in governmental funds as expenditures but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. 15,265.27

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In governmental funds, interest is reported when due. (3,564.90)

In the statement of activities, certain operating expenses, e.g. compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). 44,544.05

Bond issuance costs are reported in the governmental fund as expenditures in the year the bonds are issued. However, on the statement of activities, the costs are amortized over the life of the bonds. (1,617.00)

Change in net assets of governmental activities (A-2) \$ 668,642.69

The accompanying Notes the Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Proprietary Funds
Statement of Net Assets
As of June 30, 2012

	Business-type Activities - Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 59,409.89	\$ 9,319.79
Accounts Receivable:		
State	227.84	
Federal	8,055.47	
Inventories	16,078.77	
	<hr/>	<hr/>
Total Current Assets	83,771.97	9,319.79
	<hr/>	<hr/>
Noncurrent Assets:		
Equipment	250,329.02	
Accumulated Depreciation	(182,626.46)	
	<hr/>	<hr/>
Total Noncurrent Assets	67,702.56	
	<hr/>	<hr/>
Total Assets	\$ 151,474.53	\$ 9,319.79
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES:		
Current Liabilities:		
Accounts Payable	\$ 6,716.62	\$
Deferred Revenues	9,419.42	9,319.79
	<hr/>	<hr/>
Total Current Liabilities	16,136.04	9,319.79
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	135,338.49	
	<hr/>	<hr/>
Total Net Assets	135,338.49	
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 151,474.53	\$ 9,319.79
	<hr/> <hr/>	<hr/> <hr/>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Fund Food Service	Governmental Activities - Internal Service Fund
OPERATING REVENUES:		
Local Sources		
Daily Sales-Reimbursable Programs:		
Special Lunch and Milk Program	\$ 212,678.68	\$
Total-Daily Sales-Reimbursable Programs	212,678.68	
Bus Repair and Maintenance Services LEAs within State		
Daily Sales Non-reimbursable Programs	110,722.32	
Total Operating Revenue	323,401.00	
OPERATING EXPENSES:		
Salaries	223,600.91	
Employee Benefits	61,240.57	
Purchased Property Services	16,138.48	
Repairs and Other Expenses	37,776.08	
Supplies		
Other		
Depreciation	7,207.26	
Cost of Sales	263,999.13	
Total Operating Expenses	609,962.43	
Operating income (loss)	(286,561.43)	
NONOPERATING REVENUES:		
State Sources:		
State School Lunch Program	6,589.93	
Federal Sources:		
National School Lunch Program	176,313.44	
National School Breakfast Program	49,010.34	
Special Milk Program	348.41	
Food Distribution Program	47,806.04	
Total Nonoperating Revenues	280,068.16	
Net Income (Loss) before Operating Transfers	(6,493.27)	
OPERATING TRANSFERS:		
Operating Transfer in - General Fund	0.00	
Change in Net Assets	(6,493.27)	
Total Net Assets - July 1	141,831.76	
Total Net Assets - June 30	\$ 135,338.49	\$

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2012

	Business-type Activities - Enterprise Fund <u>Food Service</u>	Governmental Activities - Internal <u>Service Fund</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (286,561.43)	\$ -
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities		
Depreciation	7,207.26	
Food distribution program	47,806.04	
Change in assets and liabilities		
(Increase)/Decrease in accounts receivable	4,366.82	
(Increase)/Decrease in inventory	(4,928.80)	
Increase/(Decrease) in Accounts Payable	5,043.28	
Increase/(Decrease) in Deferred Revenue	4,591.25	
Net cash provided (used) by operating activities	<u>(222,475.58)</u>	
Cash flows from Noncapital financing activities:		
Cash Received from General Fund	-	
Cash received from state & federal reimbursements	232,262.12	
Net cash provided by Noncapital financing activities	<u>232,262.12</u>	
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(4,240.00)	
Net cash used for capital and related financing activities	<u>(4,240.00)</u>	
Net increase in cash and cash equivalents	<u>5,546.54</u>	
Cash and cash equivalents, July 1	<u>53,863.35</u>	<u>9,319.79</u>
Cash and cash equivalents, June 30	<u>\$ 59,409.89</u>	<u>\$ 9,319.79</u>

FIDUCIARY FUNDS

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Assets
As of June 30, 2012

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS:		
Cash and Cash Equivalents	\$ 255,616.27	\$ 568,577.83
Due From General Fund	120,100.99	
	<u>375,717.26</u>	<u>568,577.83</u>
Total assets	\$ 375,717.26	\$ 568,577.83
LIABILITIES:		
Payroll Deductions & Withholdings	\$	\$ 482,047.20
Due to General Fund		70,496.67
Due to Student Groups		16,033.96
	<u></u>	<u>568,577.83</u>
Total Liabilities	<u></u>	<u>568,577.83</u>
NET ASSETS:		
Held in Trust for Unemployment Claims and Other Purposes	<u>375,717.26</u>	
Total Net Assets	\$ 375,717.26	\$ -

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2012

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Board Contribution	\$ 120,100.99
Plan Member	52,056.53
	<hr/>
Total Contributions	172,157.52
	<hr/>
Investment Earnings:	
Interest	1,119.35
	<hr/>
Net Investment Earnings	1,119.35
	<hr/>
Total Additions	173,276.87
	<hr/>
DEDUCTIONS	
Unemployment Claims	29,874.01
	<hr/>
Total Deductions	29,874.01
	<hr/>
Change in Net Assets	143,402.86
Net Assets - Beginning of the Year	232,314.40
	<hr/>
Net Assets - End of the Year	\$ 375,717.26
	<hr/> <hr/>

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Township of Franklin School District is organized under the Constitution of the State of New Jersey. The District operates under a locally elected board form of government consisting of nine members elected to three-year terms, which are staggered. The District provides educational services as authorized by state and federal guidelines.

The District is a Type II district and serves an area of 54 square miles. It is located in Gloucester County and provides education for all of the Township of Franklin's K through 6 students, as well as having a preschool program for handicapped children. The District currently operates four instructional buildings, a bus garage/maintenance building, a storage building, and an administrative building. The District services approximately 1,403 students.

Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue or be sued in their own name);
- the District holds the corporate powers of the organization;
- the District appoints a voting majority of the organization's board;
- the District is able to impose its will on the organization;
- the organization has the potential to impose a financial benefit/burden to the District; and
- there is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Township of Franklin School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). In addition, the school district has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Descriptions*.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Presentation

The District's basic financial statements consist of District-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

District-wide Statements - The statement of net assets and the statements of activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The statement of net assets presents the financial condition of the governmental and business-type activities of the District at the fiscal year end.

The statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses - expenses of the District related to the administration and support of the District's programs, such as personnel and accounting - are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting.

B. Fund Accounting

Governmental Fund Types

The focus of Governmental Fund measurement is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The District reports the following major governmental funds:

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (cont'd)

Governmental Fund Types (cont'd)

General Fund - The General Fund is the general operating fund of the District. It is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay subfund.

As required by the NJDOE, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board motion.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. In 2004-05, there was a project for the replacement of windows and re-roofing at the Reutter school and a school facilities project at Main Road School, both were partially funded by NJEDA.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary-Fund Types

The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows, based on generally accepted accounting principles applicable to those similar to businesses in the private sector. The District reports the following major proprietary funds:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenues and expenses pertaining to cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (cont'd)

Proprietary-Fund Types (cont'd)

The District's Enterprise Fund is comprised of the Food Service Fund.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund Equipment 7 – 20 Years

Fiduciary-Fund Types

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the School District:

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal. As of June 30, 2012, this District had no transactions to record within the Nonexpendable Trust Fund.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Trust funds account for assets where both the principal and interest may be spent. Expendable Trust Funds include unemployment compensation insurance.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the winter of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(f) 1. All budget amendments must be approved by school board motion. All budget amounts presented in the accompanying supplementary information reflect the original budget and amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Budgets/Budgetary Control (cont'd)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental type funds. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures, and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

A reconciliation of the special revenue funds from the budgetary basis of accounting (as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds) to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types is shown on Exhibit C-2.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Encumbrance Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the Special Revenue Fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Assets, Liabilities and Equity

Interfund Transactions

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year. There were no interfund balances at June 30, 2012.

Inventories

On district-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method and are expended when used. Inventory consists of donated and purchased food. Inventory in the Food Service Enterprise Fund as of June 30, 2012 consisted of the following:

Food	\$ 4,057.98
Commodity Food	9,419.42
Supplies	<u>2,601.37</u>
Total	<u>\$16,078.77</u>

The value of federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and is included as a non-operating and deferred revenue in the financial statements.

Capital Assets

The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed are recorded at original cost. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities and Equity (cont'd)

Capital Assets (cont'd)

Capital assets are depreciated in the district-wide statements using the straight-line method of the following estimated useful lives:

School Buildings	50	Office and Computer Equipment	5-10
Building Improvements	20	Instructional Equipment	10
Vehicles	8	Grounds Equipment	15

G. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee earns the rights to the benefits. District employees earn vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is generally reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after one year of service. The liability for vested compensated absences of the governmental fund types is recorded as a liability in the statement of net assets. The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits are accrued to employees.

As of June 30, 2012 there was no liability for compensated absences in the Proprietary Fund. The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated based upon the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. Salary-related payments for the employer's share of social security and medicare taxes are included.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

I. Deferred Revenue

Deferred revenue in the Special Revenue Fund represents cash, which has been received but not yet earned.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

K. Fund Balance Reserves

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

L. Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within 60 days of the fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

N. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

O. Allocation of Indirect Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, have been reported as being unallocated. Depreciation expense has also been reported as unallocated.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits and short-term investments with maturities of three months or less. Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than 12 months from the date of purchase, as investments.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75 percent of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100 percent of the amount exceeding 75 percent. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States of America or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than 12 months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2012, cash and cash equivalents in the fund financial statement of the District consisted of the following:

	Cash and Cash <u>Equivalents</u>
Checking accounts (money market)	\$3,109,095.64
Capital reserve (money market)	<u>1,101,417.82</u>
Total	<u>\$4,210,513.45</u>

Custodial Credit Risk

All bank deposits and investments as of the balance sheet date are entirely insured or collateralized by a pool maintained by public depositories as required by the Governmental Unit Protection Act and are classified as to credit risk by the following three categories described below. Custodial Credit Risk for deposits is the risk that, in the event of a bank failure, the districts deposits may not be returned to it.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Custodial Credit Risk (cont'd)

Although the district does not have a formal policy regarding custodial credit risk, as described in Note 1, N.J.S.A. 17:9-41 et. Seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Protection Act. The Board of Education designates and approves a list of authorized depository institutions based on an evaluation of solicited responses and presentation of GUDPA certifications provided by the financial institutions.

The District does not place a limit on the amount that may be invested in any one issuer. As of June 30, 2012, the District's bank balances of \$4,408,233.46 were insured or collateralized as follows:

Insured by Depository Insurance	\$ 250,000.00
Collateralized under GUDPA	<u>4,158,233.46</u>
Total	<u>\$4,408,233.46</u>

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The District does not have a policy that restricts investment choices beyond Title 18A:20-37.

4. CAPITAL RESERVE ACCOUNT

A Capital Reserve Account was established by the Township of Franklin School District, in prior years, which was certified for taxes, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long-Range Facility Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a District may deposit funds into the capital reserve at any time upon board resolution through a transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning balance, July 1, 2011	\$1,096,185.08
Interest earnings	5,232.74
Deposits - Approved by Resolution in June 2012	<u>850,000.00</u>
	1,951,417.82
Less: Withdrawals	<u>- 0 -</u>
Ending balance, June 30, 2012	<u>\$1,951,417.82</u>

The June 30, 2012 LRFP balance of local support costs of uncompleted capital projects at June 30, 2012 is \$8,117,822. There were no withdrawals from capital reserve during the year.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

5. INTERFUND RECEIVABLE AND PAYABLE

Interfund balances reflected on the balance sheets at June 30, 2012 are as follows:

	<u>Due From</u>	<u>Due to</u>
General Fund	\$139,087.47	\$120,100.99
Special Projects Fund		68,590.80
Payroll Agency Fund		70,496.67
Unemployment Trust	120,100.99	

6. MAINTENANCE RESERVE

A Maintenance Reserve was established by the Township of Franklin School District in the 2009-10 year, in the amount of \$435,186. During 2010-11, \$575,303 was added, resulting in a balance at June 30, 2011 of \$1,010,489. During 2011-12, no amount was added. Of this amount, nothing was anticipated as revenue in the 2012-2013 budget.

7. RECEIVABLES

Receivables at June 30, 2012 consisted of intergovernmental monies due to the District and are considered collectible in full. A summary of the principal items of accounts receivable follows:

	<u>Amount</u>
Governmental Activities	
General Funds	\$ 420,384.33
Other Governmental Funds	
Total Governmental Funds	420,384.33
Business-Type Activities	
Food Services	8,283.31
Total Accounts Receivable	\$ 428,667.64

8. OPERATING LEASES

The District had commitments to lease three Xerox copiers under operating leases that expire in 2014. There were no operating lease obligations initiated in the year ended June 30, 2012. Future minimum lease payments are as follows:

Year ending June 30,	Amount
2013	\$ 35,984.88
2014	33,454.76
2015	15,129.44
2016	6,324.48
2017	1,054.08
Total future minimum lease payments	\$ 91,947.64

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

9. CAPITAL ASSETS

The Capital Asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets that are not being Depreciated:				
Land	\$ 200,445.50	\$ -	\$ -	\$ 200,445.50
Construction in Progress				-
Total Capital Assets not being Depreciated	<u>200,445.50</u>			<u>200,445.50</u>
Site Improvements	886,418.11			886,418.11
Building and Building Improvements	12,967,794.27	346,680.43		13,314,474.70
Machinery and Equipment	3,972,274.20	28,591.00		4,000,865.20
Totals at Historical Cost	<u>17,826,486.58</u>	<u>375,271.43</u>		<u>18,201,758.01</u>
Less Accumulated Depreciation for:				
Site Improvements	(853,355.63)	(2,067.00)		(855,422.63)
Building and Improvements	(5,753,718.31)	(310,836.46)		(6,064,554.77)
Equipment	(2,667,492.96)	(255,840.22)		(2,923,333.18)
Total Accumulated Depreciation	<u>(9,274,566.90)</u>	<u>(568,743.68)</u>		<u>(9,843,310.58)</u>
Total Capital Assets being Depreciated, Net of Accumulated Depreciation	8,551,919.68	(193,472.25)		8,358,447.43
Government Activities Capital Assets, Net	<u>\$ 8,752,365.18</u>	<u>\$ (193,472.25)</u>	<u>\$ -</u>	<u>\$ 8,558,892.93</u>
	To A-1			To A-1
Business-type Activities - Equipment	246,089.02	4,240.00		250,329.02
Less Accumulated Depreciation	(175,419.20)	(7,207.26)		(182,626.46)
Business-type Activities Capital Assets, Net	<u>\$ 70,669.82</u>	<u>\$ (2,967.26)</u>	<u>\$ -</u>	<u>\$ 67,702.56</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 2,288.50
General Administration	620.00
School Administration	201.21
Plant Operations and Maintenance	34,282.70
Pupil Transportation	137,601.70
Unallocated	393,749.57
Total	<u>\$568,743.68</u>

On January 11, 2001, the N.J. Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey was increased to \$2,000. The previous threshold was \$500.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

10. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2012, the following changes occurred in long-term obligations:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year	Long-term Portion
Governmental Activities:						
Bonds Payable:						
General Obligation Debt	\$ 382,000.00		\$ 185,000.00	\$ 197,000.00	\$ 197,000.00	\$ -
Total Bonds Payable	382,000.00		185,000.00	197,000.00	197,000.00	-
Other Liabilities:						
Obligations under Capital Lease	31,060.81		15,265.27	15,795.54	15,795.54	-
Compensated Absences Payable	203,297.37		44,544.05	158,753.32	5,000.00	153,753.32
Total Other Liabilities	\$ 616,358.18	\$ -	\$ 244,809.32	\$ 371,548.86	\$ 217,795.54	\$ 153,753.32
					To A-1	
Business-Type Activities:						
Compensated Absences Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Bonds are authorized in accordance with State law by the voters of the District through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. As of June 30, 2012, the District had no authorized but not issued bonds.

Debt Service Requirements

Principal and interest due on serial bonds outstanding is as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 197,000	\$ 7,880	\$ 204,880
Total	\$ 197,000	\$ 7,880	\$ 204,880

Capital Leases Payable

The district entered into a capital lease of ninety Dell computers. The following is a schedule of the future minimum lease payments under this capital lease at June 30, 2012.

Year Ending June 30,	Principal	Interest	Total
2013	\$ 15,795.54	\$ 296.34	\$ 16,091.88
Total	\$ 15,795.54	\$ 296.34	\$ 16,091.88

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

11. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:3B and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

Significant Legislation - P.L. 2010, c.1, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

11. PENSION PLANS (CONT'D)

Significant Legislation (Cont'd) - This new legislation changed the membership eligibility criteria for new members of TPAF and PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of TPAF and PERS to 1/60 from 1/55, and it provided that new members of TPAF and PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of TPAF and PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the SPRS and PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the prosecutor's part of the PERS to new members and repealed the law for the new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time five years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in Fiscal year 2012.

P.L. 2010, c.3, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the TPAF and PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the States Defined Contribution Retirement Program.

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5.5 percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost - of - living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 249,143	100 %	\$ 249,143
6/30/11	273,945	100	273,945
6/30/10	191,311	100	191,311

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/12	\$ 745,480	100 %	\$ 0
6/30/11	550,448	100	0
6/30/10	516,806	100	0

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

11. PENSION PLANS (CONT'D)

Contribution Requirements(Cont'd) - During the fiscal year ended June 30, 2012, there was a contribution by the State of New Jersey to the TPAF for non-contributory insurance of \$497,834 and post-retirement benefits on behalf of the District in the amount of \$247,646. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$561,539.90 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund statements and schedules as revenues and expenditures in accordance with GASB 24.

12. POST-RETIREMENT BENEFITS:

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has chosen to purchase insurance to transfer risks to outside parties.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Business Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions/ Interest Earned</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2011-2012	\$120,100.99	\$ 53,175.88	\$29,874.01	\$375,717.26
2010-2011	None	131,914.88	76,003.72	232,314.40
2009-2010	None	131,426.75	62,763.09	176,403.24

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

14. DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Met Life

Ameriprise

Vanguard Group

American General Securities

Lincoln Investment

15. LITIGATION

Per the Solicitor, there is one complaint that has been filed with the New Jersey Division of Civil Rights of which no material liability is anticipated by the solicitor, as the insurance is responsible for the majority of any sum which is ultimately paid.

A complaint has been filed in Superior Court regarding the dismissal of an employee, of which the solicitor does not believe the Board faces any significant liability in this matter.

The administration and legal council are not aware of any other matters pending or threatened, which are likely to have a material adverse effect on the financial position of the District.

A Torts Claim notice was filed by an employee claiming injury in the workplace. There is not believed to be any significant basis for this claim, as no complaint has been filed nor further correspondence received.

There is, however, one unasserted claim involving a parent / teacher issue, of which no formal claim has been made.

16. FUND EQUITY

General Fund

Of the \$3,247,906.23 General Fund balance at June 30, 2012, \$335,690.01 is reserved for encumbrances; \$1,951,417.82 has been reserved in the Capital Reserve Account; \$1,010,489.00 has been reserved in the Maintenance Reserve, of which \$0 has been appropriated and included as anticipated revenue for the year ending June 30, 2013; \$217,420.00 is reserved as excess surplus in accordance with N.J.S.A. 08A:7F-7 of which \$19,048.00 has been appropriated and included as anticipated revenue for the year ending June 30, 2013; \$176,287.00 has been appropriated and included as anticipated Revenue for the year ended June 30, 2013 and (\$443,397.60) is the deficit in unreserved fund balance.

The above amounts exclude the 19th and 20th state aid payments, in the amount of \$793,874 which was not received until July 2012 versus \$754,134 at June 30, 2011.

Debt Service Fund - The Debt Service Fund balance at June 30, 2012 is \$.72.

**Township of Franklin School District
Notes to the Basic Financial Statements
for the Fiscal Year Ended June 30, 2012**

17. CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2012, which must be appropriated in the 2013-14 budget is \$198,372.00.

18. DEFICIT FUND BALANCES

The District has a deficit fund balance of \$443,397.60 in the General Fund and none in the Special Revenue Fund as of June 30, 2012 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budgeted purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the state is recording the last state aid payment in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last two state aid payments, the General Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2, any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP fund statements in the General Fund is less than the last two state aid payments.

19. SENDING RECEIVING CONTRACT

The District entered into an agreement with the Newfield Board of Education to begin accepting elementary students.

20. SUBSEQUENT EVENTS

There were no events subsequent to the audit date required to be disclosed. The District, however, continues to be involved in discussions and negotiations regarding regionalization.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY
INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local Tax Levy	\$ 8,485,429.00	\$	\$ 8,485,429.00	\$ 8,485,429.00	\$
Tuition - Other LEAs	252,402.00		252,402.00	235,685.01	(16,716.99)
Tuition - From Other Government Sources In-State				20,194.74	
Transportation Fees from Other LEAs	96,443.00		96,443.00	165,206.71	68,763.71
Interest on Investments				15,268.17	15,268.17
Interest on Capital Reserve Account	1,500.00		1,500.00	5,232.74	3,732.74
Miscellaneous	16,320.00		16,320.00	60,855.01	44,535.01
Total Revenues - Local Sources	8,852,094.00		8,852,094.00	8,987,871.38	135,777.38
State Sources:					
Categorical Special Education	672,662.00		672,662.00	672,662.00	
Transportation Aid	112,796.00		112,796.00	289,083.00	176,287.00
Equalization Aid	7,126,256.00		7,126,256.00	7,126,256.00	
Categorical Security Aid	162,655.00		162,655.00	162,655.00	
Other State Aids - Out of Cap					
Extraordinary Aid	109,113.00		109,113.00	40,679.00	(68,434.00)
Non-Public Transportation Aid				11,684.07	11,684.07
Anti-Bullying Aid				4,161.00	4,161.00
On-behalf TPAF Pension Cont - Post Ret. Med (non-budgeted)				497,834.00	497,834.00
On-behalf TPAF Non-Contributory Ins (non-budgeted)				247,646.00	247,646.00
Reimbursed TPAF Social Security Contributions (non-budgeted)				561,539.90	561,539.90
Total Revenues - State Sources	8,183,482.00		8,183,482.00	9,614,199.97	1,430,717.97
Federal Sources:					
Medicaid (Semi)	19,168.00		19,168.00	19,692.32	524.32
Education Jobs Fund	290,926.00		290,926.00	300,040.00	9,114.00
Total Revenues - Federal Sources	310,094.00		310,094.00	319,732.32	9,638.32
Total Revenues	17,345,670.00		17,345,670.00	18,921,803.67	1,576,133.67
EXPENDITURES					
CURRENT EXPENSE:					
Regular Programs - Instruction					
Salaries of Teachers:					
Preschool/Kindergarten	582,789.00	5,935.62	588,724.62	582,874.14	5,850.48
Grades 1-5	3,225,261.00	(289,103.30)	2,936,157.70	2,922,083.91	14,073.79
Grades 6-8	669,083.00	114,080.57	783,163.57	771,053.08	12,110.49
Home Instruction:					
Salaries of Teachers	4,832.00	595.00	5,427.00	5,427.00	
Purchased Professional-Educational Services	500.00	328.00	828.00	828.00	
Other Purchased Services	1,000.00	(923.00)	77.00		77.00
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	11,000.00		11,000.00	3,115.80	7,884.20
Other Purchased Services	94,815.00	(23,359.53)	71,455.47	31,627.38	39,828.09
General Supplies	402,978.00	197,412.52	600,390.52	522,782.77	77,607.75
Textbooks	13,800.00	399.16	14,199.16	12,999.16	1,200.00
Other Objects	16,725.00		16,725.00	10,393.01	6,331.99
Total Regular Programs	5,022,783.00	5,365.04	5,028,148.04	4,863,184.25	164,963.79
Special Education - Instruction					
Learning and/or Language Disabilities:					
Salaries of Teachers	158,357.00	(18,956.88)	139,400.12	139,019.30	380.82
Other Salaries for Instruction	58,086.00	38,672.42	96,758.42	96,758.42	
General Supplies	5,025.00	3,088.00	8,113.00	6,604.69	1,508.31
Total Learning and/or Language Disabilities	221,468.00	22,803.54	244,271.54	242,382.41	1,889.13
Multiple Disabilities:					
Salaries of Teachers	141,092.00	(2,024.17)	139,067.83	138,645.96	421.87
Other Salaries for Instruction	61,394.00	2,854.07	64,248.07	64,248.07	
General Supplies	3,600.00	8,882.00	12,482.00	12,184.80	297.20
Textbooks	600.00		600.00	374.57	225.43
Total Multiple Disabilities	206,686.00	9,711.90	216,397.90	215,453.40	944.50

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Resource Room/Resource Center:					
Salaries of Teachers	\$ 854,235.00	\$ 76,546.48	\$ 930,781.48	\$ 926,504.92	\$ 4,276.56
Other Salaries for Instruction	90,254.00	(33,776.84)	56,477.16	56,477.16	
General Supplies	12,250.00	16,256.88	28,506.88	21,864.02	6,642.86
Total Resource Room/Resource Center	956,739.00	59,026.52	1,015,765.52	1,004,846.10	10,919.42
Preschool Disabilities - Part Time:					
Salaries of Teachers	99,980.00	112.50	100,092.50	100,092.50	
Other Salaries For Instruction	38,168.00	1,288.96	39,456.96	39,456.96	
General Supplies	2,350.00		2,350.00	2,126.96	223.04
Total Preschool Disabilities - Part Time	140,498.00	1,401.46	141,899.46	141,676.42	223.04
Home Instruction:					
Salaries of Teachers	4,500.00		4,500.00	2,903.76	1,596.24
Purchased Professional - Educational Services	7,680.00	(178.88)	7,501.12	1,144.00	6,357.12
Other Purchased Services	150.00		150.00		150.00
Total Home Instruction	12,330.00	(178.88)	12,151.12	4,047.76	8,103.36
Total Special Education - Instruction	1,537,721.00	92,764.54	1,630,485.54	1,608,406.09	22,079.45
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	464,926.00	2,323.59	467,249.59	454,001.66	13,247.93
General Supplies	300.00	18,147.00	18,447.00	18,447.00	
Total Basic Skills/Remedial - Instruction	465,226.00	20,470.59	485,696.59	472,448.66	13,247.93
Bilingual Education - Instruction:					
General Supplies		300.00	300.00		300.00
Total Bilingual Education - Instruction		300.00	300.00		300.00
School Sponsored Co-curricular Activities - Instruction:					
Salaries	10,440.00	441.00	10,881.00	10,881.00	
Total School Sponsored Co-curricular Activities - Instruction	10,440.00	441.00	10,881.00	10,881.00	
Total - Instruction	7,036,170.00	119,341.17	7,155,511.17	6,954,920.00	200,591.17
Undistributed Expenditures:					
Instruction:					
Tuition - Other LEAs Within State-Special	54,152.00	(9,891.70)	44,260.30	34,722.33	9,537.97
Tuition - Other LEAs Within State-Regular		12,319.72	12,319.72	12,319.72	
Tuition - CSSD & Regional Day Schools	245,053.00	(2,428.02)	242,624.98	134,832.00	107,792.98
Tuition - Private Schools/Disabled Within State	397,865.00	(156,414.00)	241,451.00	106,597.03	134,853.97
Tuition - Private Schools/Disab, Other LEAs Out-State	78,622.00		78,622.00	19,796.00	58,826.00
Total Undistributed Expenditures - Instruction	775,692.00	(156,414.00)	619,278.00	308,267.08	311,010.92
Attendance and Social Work Services:					
Salaries	9,558.00	667.00	10,225.00	10,225.00	
Other Purchased Services	3,550.00	(667.00)	2,883.00	418.11	2,464.89
Total Attendance and Social Work Services	13,108.00		13,108.00	10,643.11	2,464.89
Health Services:					
Salaries	180,917.00	(13,590.00)	167,327.00	164,853.47	2,473.53
Purchased Professional and Technical Services	12,750.00	79.00	12,829.00	12,829.00	
Other Purchased Services	710.00		710.00	608.08	101.92
Supplies and Materials	6,980.00	(103.40)	6,876.60	5,916.75	959.85
Total Health Services	201,357.00	(13,614.40)	187,742.60	184,207.30	3,535.30

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Support Services - Students - Related Services:					
Salaries	\$ 286,972.00	\$ 69,844.84	\$ 356,816.84	\$ 329,235.13	\$ 27,581.71
Purchased Professional - Educational Services	150,470.00	(92,375.00)	58,095.00	50,225.00	7,870.00
Supplies and Materials	4,100.00	72.66	4,172.66	4,145.39	27.27
Total Other Support Services - Students - Related Services	441,542.00	(22,457.50)	419,084.50	383,605.52	35,478.98
Special Education - Extraordinary Services:					
Salaries	79,072.00	(13,012.55)	66,059.45	66,059.45	
Purchased Professional-Educational Services	63,180.00	(8,983.68)	54,196.32	20,460.00	33,736.32
Supplies and Materials	6,000.00	4,108.50	10,108.50	10,108.50	
Total Special Education - Extraordinary Services	148,252.00	(17,887.73)	130,364.27	96,627.95	33,736.32
Other Support Services - Students - Regular:					
Salaries of Other Professional Staff		55,115.00	55,115.00	55,115.00	
Other Salaries	1,008.00		1,008.00		1,008.00
Other Purchased Professional and Technical Services	15,500.00		15,500.00	12,667.68	2,832.32
Other Purchased Services	1,200.00	3,400.00	4,600.00	3,432.86	1,167.14
Supplies and Materials	4,800.00	(3,400.00)	1,400.00	849.33	550.67
Total Other Support Services - Students - Regular	22,508.00	55,115.00	77,623.00	72,064.87	5,558.13
Other Support Services - Students - Special Services:					
Salaries of Other Professional Staff	402,839.00	(58,647.88)	344,191.12	341,698.50	2,492.62
Salaries of Secretarial and Clerical Assistants	36,645.00		36,645.00	36,466.08	178.92
Other Purchased Professional and Technical Services	4,000.00	8,373.43	12,373.43	11,516.03	857.40
Miscellaneous Purchased Services	12,100.00	(1,919.48)	10,180.52	5,883.98	4,296.54
Supplies and Materials	7,605.00	1,433.79	9,038.79	8,928.79	110.00
Other Objects	2,110.00	200.00	2,310.00	1,300.00	1,010.00
Total Other Support Services - Students - Special Services	465,299.00	(50,560.14)	414,738.86	405,793.38	8,945.48
Improvement of Instruction Services:					
Salaries of Supervisors of Instruction	73,800.00	(84.00)	73,716.00	73,440.12	275.88
Salaries of Secretarial and Clerical Assistants	4,500.00	5,719.56	10,219.56	8,395.43	1,824.13
Other Salaries	17,360.00	(7,125.00)	10,235.00	3,036.24	7,198.76
Purchased Professional-Educational Services		1,125.00	1,125.00	1,125.00	
Supplies and Materials		1,750.00	1,750.00	1,700.40	49.60
Other Objects	1,850.00	(1,750.00)	100.00		100.00
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	97,510.00	(364.44)	97,145.56	87,697.19	9,448.37
Educational Media Services/School Library:					
Salaries	89,521.00	1,606.85	91,127.85	88,855.96	2,271.89
Supplies and Materials	14,385.00	253.64	14,638.64	9,867.50	4,771.14
Total Educational Media Services/School Library	103,906.00	1,860.49	105,766.49	98,723.46	7,043.03
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	8,200.00		8,200.00	8,159.88	40.12
Other Salaries	2,568.00		2,568.00	1,398.46	1,169.54
Purchased Professional - Educational Services	7,000.00	7,070.40	14,070.40	14,070.40	
Other Purchased Professional and Tech Services	3,250.00	164.00	3,414.00	3,396.40	17.60
Other Purchased Services	5,650.00	5,354.00	11,004.00	7,236.79	3,767.21
Supplies and Materials	4,700.00	2,922.41	7,622.41	6,610.70	1,011.71
Total Instructional Staff Training Services	31,368.00	15,510.81	46,878.81	40,872.63	6,006.18
Support Services General Administration:					
Salaries	223,692.00	(9,056.09)	214,635.91	214,308.49	327.42
Legal Services	49,000.00	60,388.44	109,388.44	109,388.24	0.20
Audit Fees	14,500.00	(100.00)	14,400.00	14,080.00	320.00
Architectural/Engineering Services	25,000.00	(24,522.49)	477.51		477.51
Other Purchased Professional Services	7,500.00	19,337.48	26,837.48	26,759.98	77.50
Purchased Technical Services		8,717.00	8,717.00		8,717.00
Communications/Telephone	40,480.00	(7,655.00)	32,825.00	31,050.48	1,774.52
BOE Other Purchased Services	4,050.00	(3,628.54)	421.46		421.46
Other Purchased Services	76,261.00	(18,398.13)	57,862.87	57,762.87	100.00
General Supplies	18,150.00	(636.02)	17,513.98	17,502.41	11.57
Judgments Against the School District		9,500.00	9,500.00	9,500.00	
Miscellaneous Expenditures	7,500.00	(4,973.22)	2,526.78	2,178.31	348.47
BOE Membership Dues and Fees	10,100.00	571.34	10,671.34	10,246.59	424.75
Total Support Services General Administration	476,233.00	29,544.77	505,777.77	492,777.37	13,000.40

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services School Administration:					
Salaries of Principals/Assistant Principals	\$ 385,816.00	\$ 3,334.00	\$ 389,150.00	\$ 389,064.00	\$ 86.00
Salaries of Secretarial and Clerical Assistants	115,044.00		115,044.00	113,670.69	1,373.31
Other Purchased Services	34,970.00	5,788.79	40,758.79	36,909.82	3,848.97
Supplies and Materials	14,100.00		14,100.00	10,386.35	3,713.65
Other Objects	7,130.00	(1,384.00)	5,746.00	4,945.90	800.10
Total Support Services School Administration	557,060.00	7,738.79	564,798.79	554,976.76	9,822.03
Central Services:					
Salaries	241,113.00	13,371.11	254,484.11	243,875.98	10,608.13
Purchased Professional Services	3,700.00	500.00	4,200.00	4,200.00	
Purchased Technical Services	26,068.00	4,177.34	30,245.34	30,245.34	
Miscellaneous Purchased Services	4,272.00	(500.00)	3,772.00	3,385.04	1,386.96
Supplies and Materials	3,845.00		3,845.00	2,061.90	1,783.10
Miscellaneous Expenditures	2,150.00		2,150.00	1,310.00	840.00
Total Central Services	281,148.00	17,548.45	298,696.45	284,078.26	14,618.19
Administration Information Technology:					
Salaries	10,000.00		10,000.00	7,697.11	2,302.89
Purchased Technical Services	91,800.00		91,800.00	90,000.00	1,800.00
Total Administration Information Technology	101,800.00		101,800.00	97,697.11	4,102.89
Required Maintenance for School Facilities:					
Salaries	129,101.00	(255.92)	128,845.08	126,087.41	2,757.67
Cleaning, Repair and Maintenance Services	155,200.00	292,865.13	448,065.13	258,056.14	190,008.99
General Supplies	35,000.00	11,181.81	46,181.81	39,264.35	6,917.46
Total Allowable Maintenance for School Facilities	319,301.00	303,791.02	623,092.02	423,407.90	199,684.12
Other Operation and Maintenance of Plant Services:					
Salaries	573,264.00	(405.44)	572,858.56	572,658.56	200.00
Purchased Professional and Technical Services	21,750.00		21,750.00	10,130.10	11,619.90
Cleaning, Repair and Maintenance Services	35,631.00	(1,000.00)	34,631.00	22,309.29	12,321.71
Other Purchased Property Services	850.00		850.00	733.30	116.70
Insurance	83,014.00		83,014.00	81,920.00	1,094.00
Miscellaneous Purchased Services	1,150.00		1,150.00	102.30	1,047.70
General Supplies	91,650.00	4,065.08	95,715.08	77,860.34	17,854.74
Energy (Electricity)	265,255.00	(195.87)	265,059.13	236,398.74	28,660.39
Energy (Natural Gas)	164,121.00	(38,361.50)	125,759.50	89,188.74	36,570.76
Energy (Oil)	10,400.00		10,400.00	5,782.24	4,617.76
Other Objects	6,750.00		6,750.00	6,385.20	364.80
Total Other Operation and Maintenance of Plant Services	1,253,835.00	(35,897.73)	1,217,937.27	1,103,468.81	114,468.46
Care and Upkeep of Grounds:					
Salaries	68,348.00	(12,915.99)	55,432.01	47,114.14	8,317.87
Cleaning, Repair and Maintenance Services	500.00		500.00	267.50	232.50
General Supplies	5,800.00		5,800.00	3,423.83	2,376.17
Total Care and Upkeep of Grounds	74,648.00	(12,915.99)	61,732.01	50,805.47	10,926.54
Security:					
Cleaning, Repair and Maintenance Services	12,000.00	6,836.99	18,836.99	15,038.50	3,798.49
General Supplies	600.00		600.00		600.00
	12,600.00	6,836.99	19,436.99	15,038.50	4,398.49
Total Operation and Maintenance of Plant Services	1,660,384.00	261,814.29	1,922,198.29	1,592,720.68	329,477.61
Student Transportation Services:					
Salaries - Between Home & School - Regular	608,638.00	(72,087.11)	536,550.89	536,550.89	
Salaries - Between Home & School - Special	316,648.00	(55,508.52)	261,139.48	261,139.48	
Management Fee-ESC Transportation Programs		39,000.00	39,000.00	38,378.41	621.59
Other Purchased Professional and Technical Services	1,600.00	(85.00)	1,515.00	1,104.00	411.00
Cleaning, Repair and Maintenance Services	7,850.00	2,829.60	10,679.60	6,690.60	3,989.00
Contracted Services (Home/School) - Vendors		2,160.00	2,160.00	2,160.00	
Contracted Services (Home/School) - Joint Agreements	61,880.00	(11,808.00)	50,072.00	50,072.00	
Contracted Services (Special Ed) - Joint Agreements	17,825.00	27,064.00	44,889.00	44,696.00	193.00
Contracted Services (Special Ed) - ESCs	29,700.00	(28,700.00)	1,000.00		1,000.00
Contracted Services (Reg Students) ESCs	1,000.00	3,703.40	4,703.40	4,100.67	602.73
Contracted Serv.-Aid in Lieu of Payments-Non-Pub Sch	23,868.00	(7,956.00)	15,912.00	15,912.00	
Contracted Serv-Aid in Lieu of Payments-Charter School		884.00	884.00	884.00	
Miscellaneous Purchased Services - Transportation	43,499.00	(5,333.00)	38,166.00	35,666.00	2,500.00
General Supplies		1,731.82	1,731.82		
Transportation Supplies	426,286.00	13,048.24	439,334.24	439,334.24	
Miscellaneous Expenditures	2,150.00		2,150.00	1,945.00	205.00
Total Student Transportation Services	1,540,944.00	(91,056.57)	1,449,887.43	1,440,365.11	9,522.32

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits:					
Social Security Contributions	\$ 226,729.00	\$ 648.00	\$ 227,377.00	\$ 218,680.41	\$ 8,696.59
Other Retirement Contributions - Regular	262,118.00	(12,975.00)	249,143.00	249,143.00	
Unemployment Compensation	25,000.00	134,975.00	159,975.00	159,975.00	
Workmen's Compensation	149,594.00	7,062.00	156,656.00	156,359.79	296.21
Health Benefits	2,929,703.00	(283,373.74)	2,646,329.26	2,612,884.27	33,444.99
Tuition Reimbursement	24,400.00	355.00	24,755.00	9,075.00	15,680.00
Other Employee Benefits	91,135.00		91,135.00	56,350.81	34,784.19
Total Unallocated Benefits	3,708,679.00	(153,308.74)	3,555,370.26	3,462,468.28	92,901.98
On-behalf TPAF Pension Contributions (non-budgeted)				247,646.00	(247,646.00)
On-behalf TPAF Pension Cont - Post Ret. Med (non-budgeted)				497,834.00	(497,834.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)				561,539.90	(561,539.90)
Total Undistributed Expenditures	10,626,790.00	(116,530.92)	10,510,259.08	10,920,605.96	(410,346.88)
Total Expenditures - Current Expenses	17,662,960.00	2,810.25	17,665,770.25	17,875,525.96	(209,755.71)
CAPITAL OUTLAY:					
Interest Deposited to Capital Reserve	1,500.00		1,500.00		1,500.00
Equipment:					
Undistributed Expenditures:					
Required Maintenance for School Facilities		77,226.00	77,226.00	20,475.00	56,751.00
Custodial Services		22,596.00	22,596.00		22,596.00
Total Equipment		99,822.00	99,822.00	20,475.00	79,347.00
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on School Facilities	4,013.00		4,013.00	4,013.00	
Construction Services		349,624.15	349,624.15	346,680.43	2,943.72
Total Facilities Acquisition and Construction Services	4,013.00	349,624.15	353,637.15	350,693.43	2,943.72
Total Capital Outlay	5,513.00	449,446.15	454,959.15	371,168.43	83,790.72
Total Expenditures	17,668,473.00	452,256.40	18,120,729.40	18,246,694.39	(125,964.99)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(322,803.00)	(452,256.40)	(775,059.40)	675,109.28	1,450,168.68
Other Financing Sources (Uses):					
Transfer to Food Service Fund					
Transfer to Charter School	(8,339.00)	(8,556.00)	(16,895.00)	(16,895.00)	
Total Other Financing Sources (Uses)	(8,339.00)	(8,556.00)	(16,895.00)	(16,895.00)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(331,142.00)	(460,812.40)	(791,954.40)	658,214.28	1,450,168.68
Fund Balance, July 1	3,383,565.95		3,383,565.95	3,383,565.95	
Fund Balance, June 30	\$ 3,052,423.95	\$ (460,812.40)	\$ 2,591,611.55	\$ 4,041,780.23	\$ 1,450,168.68
Recapitulation of Fund Balances:					
Restricted Fund Balance:					
Excess Surplus				\$ 198,372.00	
Excess Surplus - Designated for Subsequent Year's Expenditures				19,048.00	
Maintenance Reserve Account				1,010,489.00	
Capital Reserve Account				1,951,417.82	
Committed Fund Balance:					
Year - End Encumbrances				335,690.01	
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures				176,287.00	
Unassigned - Fund Balance				350,476.40	
				4,041,780.23	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				(793,874.00)	
Fund balance per governmental funds (GAAP)				\$ 3,247,906.23	

**Budgetary Comparison Schedule
Education Jobs Fund Supplementary Schedule
For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Education Jobs Fund					
Special Education - Instruction					
Learning and/or Language Disabilities					
Salaries - Other Instruction	\$ 55,167.00	\$ 30,489.06	\$ 85,656.06	\$ 85,656.06	\$
Total Learning and/or Language Disabilities- Instruction	55,167.00	30,489.06	85,656.06	85,656.06	
Special Education - Instruction					
Multiple Disabilities					
Salaries - Other Instruction	50,965.00	(91.98)	50,873.02	50,873.02	
Total Multiple Disabilities - Instruction	50,965.00	(91.98)	50,873.02	50,873.02	
Resource Room/Resource Center					
Salaries - Other Instruction	86,175.00	(33,734.00)	52,441.00	52,441.00	
Total Resource Room/Resource Center	86,175.00	(33,734.00)	52,441.00	52,441.00	
Preschool Disabilities					
Salaries - Other Instruction	36,110.00	(1,905.85)	34,204.15	34,204.15	
Total Preschool Disabilities - Instruction	36,110.00	(1,905.85)	34,204.15	34,204.15	
Total Instruction	228,417.00	(5,242.77)	223,174.23	223,174.23	
Undistributed Expenditures					
Students - Extraordinary Services					
Salaries - Other Instruction	52,265.00	(18,055.00)	34,210.00	34,210.00	
Total Extraordinary Services	52,265.00	(18,055.00)	34,210.00	34,210.00	
Unallocated Benefits					
Social Security Contribution	10,244.00	(10,244.00)			
Health Benefits		42,655.77	42,655.77	42,655.77	
Total Unallocated Benefits	10,244.00	32,411.77	42,655.77	42,655.77	
Total Undistributed Expenditures	62,509.00	14,356.77	76,865.77	76,865.77	
TOTAL EXPENDITURES - Education Jobs Fund	\$ 290,926.00	\$ 9,114.00	\$ 300,040.00	\$ 300,040.00	\$

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$	\$ 7,685.00	\$ 7,685.00	\$ 7,685.00	\$
State Sources					
Federal Sources	547,969.00	527,166.96	1,075,135.96	784,469.23	(290,666.73)
Total Revenues	<u>547,969.00</u>	<u>534,851.96</u>	<u>1,082,820.96</u>	<u>792,154.23</u>	<u>(290,666.73)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	228,028.00	34,830.00	262,858.00	167,502.00	95,356.00
Purchase Prof/Tech Services	0.00	10,076.00	10,076.00	8,676.00	1,400.00
Other Purchased Services	319,941.00	179,104.00	499,045.00	417,450.81	81,594.19
Supplies and Materials	0.00	79,231.93	79,231.93	75,445.79	3,786.14
Total Instruction	<u>547,969.00</u>	<u>303,241.93</u>	<u>851,210.93</u>	<u>669,074.60</u>	<u>182,136.33</u>
Support Services					
Salaries	0.00	94,697.34	94,697.34	47,350.34	47,347.00
Personal Services - Employee Benefits	0.00	46,291.80	46,291.80	25,664.26	20,627.54
Purchased Prof.-Tech. Services	0.00	38,002.00	38,002.00	26,156.33	11,845.67
Other Purchased Services	0.00	24,619.39	24,619.39	12,403.10	12,216.29
Other Purchased Services - Non-Public	0.00	1,295.00	1,295.00	1,295.00	0.00
Supplies & Materials	0.00	19,516.50	19,516.50	3,022.60	16,493.90
Supplies & Materials -Non-Public	0.00	503.00	503.00	503.00	0.00
Total Support Services	<u>0.00</u>	<u>224,925.03</u>	<u>224,925.03</u>	<u>116,394.63</u>	<u>108,530.40</u>
Facilities Acquisition and Construction Services					
Non-Instructional Equipment	0.00	6,685.00	6,685.00	6,685.00	
Total Facilities Acquisition and Construction Services	<u>0.00</u>	<u>6,685.00</u>	<u>6,685.00</u>	<u>6,685.00</u>	
Total Expenditures	<u>547,969.00</u>	<u>534,851.96</u>	<u>1,082,820.96</u>	<u>792,154.23</u>	<u>290,666.73</u>
Total Outflows	<u>547,969.00</u>	<u>534,851.96</u>	<u>1,082,820.96</u>	<u>792,154.23</u>	<u>290,666.73</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) \$	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

Required Supplementary Information

Budget-to-GAAP Reconciliation

Note to RSI

As of June 30, 2012

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures

Sources/inflows of resources		General Fund		Revenue Fund
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1] \$	18,921,803.67	[C-2] \$	792,154.23
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. - Prior Year				22,752.25
- Current Year				(14,321.00)
Last state aid payment recognized for 10/11 is not recognized as revenue for budgetary purposes, and differs from GAAP which recognizes this revenue in the subsequent year when the state recognizes the related expense (GASB 33).		754,134.00		
Last state aid payment recognized for 11/12 is not recognized as revenue for budgetary purposes, and differs from GAAP which recognizes this revenue in the subsequent year when the state recognizes the related expense (GASB 33).		(793,874.00)		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] \$	18,882,063.67	[B-2] \$	800,585.48
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$	18,246,694.39	[C-2] \$	792,154.23
Differences - budget to GAAP				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.				8,431.25
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.				
Net transfers (outflows) to general fund				
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$	18,246,694.39	[B-2] \$	800,585.48

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Combining Schedule of Revenues and Expenditures
Special Revenue Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for June 30, 2011)

	Title I-A	Title I-A Carryover	Title II-A	OLWEUS Bullying Prevention	Title II-A Carryover	ARRA Title - 1	ARRA IDEA Preschool
REVENUES:							
Other Sources	\$	\$	\$	\$ 3,772.40	\$	\$	
State Sources							
Federal Sources	146,883.02	79,968.42	38,592.33		41,994.60	51,179.00	4,628.65
Total Revenues	<u>146,883.02</u>	<u>79,968.42</u>	<u>38,592.33</u>	<u>3,772.40</u>	<u>41,994.60</u>	<u>51,179.00</u>	<u>4,628.65</u>
EXPENDITURES:							
Instruction:							
Salaries of Teachers	111,327.00	26,397.00	29,778.00				
Purchased Professional - Technical Services	8,676.00						
Other Purchased Services							
General Supplies	1,708.96	24,455.78		652.40		43,000.00	4,628.65
Total Instruction	<u>121,711.96</u>	<u>50,852.78</u>	<u>29,778.00</u>	<u>652.40</u>		<u>43,000.00</u>	<u>4,628.65</u>
Support Services:							
Salaries		16,174.50		620.00	30,555.84		
Personnel Services - Employee Benefits	16,859.46	2,980.14			5,824.66		
Purchased Professional -Technical Services	2,000.00	9,961.00	3,516.33	2,500.00		8,179.00	
Purchased Professional - Technical Administration							
Other Purchased Services (400-500 series)	3,289.00		3,500.00		5,614.10		
Other Purchased Services Nonpublic			1,295.00				
Supplies and Materials	3,022.60						
Supplies and Materials (Nonpublic)			503.00				
Total Support Services	<u>25,171.06</u>	<u>29,115.64</u>	<u>8,814.33</u>	<u>3,120.00</u>	<u>41,994.60</u>	<u>8,179.00</u>	
Facilities Acquisition and Construction Services							
Instructional Equipment							
Non Instructional Equipment							
Total Facilities Acquisition and Construction Services							
Total Expenditures	<u>146,883.02</u>	<u>79,968.42</u>	<u>38,592.33</u>	<u>3,772.40</u>	<u>41,994.60</u>	<u>51,179.00</u>	<u>4,628.65</u>
Excess (Deficiency) of Revenues Over (Under)	\$	\$	\$	\$	\$	\$	
Expenditures and Other Financing Sources (Uses)							

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Combining Schedule of Revenues and Expenditures
Special Revenue Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for June 30, 2011)

	IDEA Part B Basic Reg. Prog.	IDEA Part B Carryover	IDEA Part B Preschool	Atlantic Electric Grant	NJASBO Safety Grant	Total	
						2012	2011
REVENUES:							
Other Sources	\$	\$	\$	\$	\$	\$	\$
State Sources				1,000.00	6,685.00	11,457.40	8,116.00
Federal Sources	308,497.60	87,569.21	21,384.00			780,696.83	746,424.68
Total Revenues	308,497.60	87,569.21	21,384.00	1,000.00	6,685.00	792,154.23	754,540.68
EXPENDITURES:							
Instruction:							
Salaries of Teachers						167,502.00	130,219.00
Purchased Professional - Technical Services						8,676.00	32,699.03
Other Purchased Services	308,497.60	87,569.21	21,384.00			417,450.81	515,699.99
General Supplies				1,000.00		75,445.79	17,952.32
Total Instruction	308,497.60	87,569.21	21,384.00	1,000.00		669,074.60	696,570.34
Support Services:							
Salaries						47,350.34	475.00
Personnel Services - Employee Benefits						25,664.26	16,675.02
Purchased Professional - Technical Services						26,156.33	3,500.00
Other Purchased Services (400-500 series)						12,403.10	22,906.00
Other Purchased Services Nonpublic						1,295.00	
Supplies and Materials						3,022.60	6,298.32
Supplies and Materials (Nonpublic)						503.00	
Total Support Services						116,394.63	49,854.34
Facilities Acquisition and Construction Services							
Instructional Equipment							8,116.00
Non Instructional Equipment					6,685.00	6,685.00	
Total Facilities Acquisition and Construction Services					6,685.00	6,685.00	8,116.00
Total Expenditures	308,497.60	87,569.21	21,384.00	1,000.00	6,685.00	792,154.23	754,540.68
Excess (Deficiency) of Revenues Over (Under)	\$	\$	\$	\$	\$	\$	\$
Expenditures and Other Financing Sources (Uses)							

PROPRIETARY FUNDS DETAIL STATEMENTS

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Service Fund - This fund provides for the operation of food services in all schools within the school district.

Internal service funds are used to serve organizational units within the district or to serve other governmental units.

Gloucester County Educational Environmental Consortium - This District serves as the Treasurer for the Consortium.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

Enterprise Fund

Food Services

Combining Statement of Net Assets

As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS:		
Current Assets:		
Cash	\$ 59,409.89	\$ 53,863.35
Accounts Receivable:		
State	227.84	389.71
Federal	8,055.47	12,260.42
Other		
Inventories	16,078.77	11,149.97
Total Current Assets	<u>83,771.97</u>	<u>77,663.45</u>
Fixed Assets:		
Equipment	250,329.02	246,089.02
Accumulated Depreciation	(182,626.46)	(175,419.20)
Total Fixed Assets	<u>67,702.56</u>	<u>70,669.82</u>
Total Assets	<u>\$ 151,474.53</u>	<u>\$ 148,333.27</u>
LIABILITIES AND FUND EQUITY:		
Current Liabilities:		
Accounts Payable	\$ 6,716.62	\$ 1,673.34
Deferred Revenue	9,419.42	4,828.17
Total Current Liabilities	<u>16,136.04</u>	<u>6,501.51</u>
Fund Equity:		
Unreserved Retained Earnings	135,338.49	141,831.76
Total Fund Equity	<u>135,338.49</u>	<u>141,831.76</u>
Total Liabilities and Fund Equity	<u>\$ 151,474.53</u>	<u>\$ 148,333.27</u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

Enterprise Fund

Food Services

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUES:		
Local Sources		
Daily Sales - Reimbursable Programs:		
Lunch, Breakfast and Special Milk Program	\$ 212,678.68	\$ 227,979.82
Total - Daily Sales - Reimbursable Programs	212,678.68	227,979.82
Daily Sales Non-reimbursable Programs	110,722.32	114,228.64
Total Operating Revenue	323,401.00	342,208.46
OPERATING EXPENSES:		
Salaries	223,600.91	215,691.43
Employee Benefits	61,240.57	62,147.05
Purchased Property Services	16,138.48	15,526.41
Repairs and Other Expenses	37,776.08	3,520.00
Depreciation	7,207.26	2,393.09
Cost of Sales	263,999.13	286,679.12
Total Operating Expenses	609,962.43	585,957.10
Operating Income (Loss)	(286,561.43)	(243,748.64)
NON-OPERATING REVENUES:		
State Sources:		
State School Lunch Program	6,589.93	6,692.19
State School Breakfast Program		
Federal Sources:		
National School Lunch Program	176,313.44	174,219.98
National School Breakfast Program	49,010.34	46,990.24
Special Milk Program	348.41	536.91
Food Distribution Program	47,806.04	38,480.72
Total Non-operating Revenues	280,068.16	266,920.04
Net Income (Loss) before Operating Transfers	(6,493.27)	23,171.40
OPERATING TRANSFERS:		
Operating Transfer In - General Fund		
Net Income (Loss)	(6,493.27)	23,171.40
Net Assets - July 1	141,831.76	118,660.36
Net Assets - June 30	\$ 135,338.49	\$ 141,831.76

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Enterprise Fund
Food Services
Combining Statement of Cash Flows
For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (286,561.43)	\$ (243,748.64)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities		
Depreciation	7,207.26	2,393.09
Food Distribution Program	47,806.04	38,480.72
Change in Assets and Liabilities		
(Increase)/Decrease in Accounts Receivable	4,366.82	3,162.73
(Increase)/Decrease in Inventory	(4,928.80)	8,341.87
Increase/(Decrease) in Accounts Payable	5,043.28	587.70
Increase/(Decrease) in Deferred Revenue	4,591.25	(6,411.74)
Net Cash Provided (Used) by Operating Activities	<u>(222,475.58)</u>	<u>(197,194.27)</u>
Cash Flows from Non-capital Financing Activities:		
Cash Received from General Fund	0.00	0.00
Cash Received from State & Federal Reimbursements	232,262.12	228,439.32
Net Cash Provided by Non-capital Financing Activities	<u>232,262.12</u>	<u>228,439.32</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(4,240.00)	
Net Cash Used for Capital and Related Financing Activities	<u>(4,240.00)</u>	
Net Increase in Cash and Cash Equivalents	<u>5,546.54</u>	<u>31,245.05</u>
Cash and Cash Equivalents, July 1	<u>53,863.35</u>	<u>22,618.30</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 59,409.89</u></u>	<u><u>\$ 53,863.35</u></u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Internal Service Fund
Combining Statement of Net Assets
As of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash and Cash Equivalents	\$ 9,319.79	\$ 9,319.79
Intergovernmental Accounts Receivable		
Total Assets	<u>\$ 9,319.79</u>	<u>\$ 9,319.79</u>
 LIABILITIES:		
Deferred Revenues	\$ 9,319.79	9,319.79
Total Liabilities	<u>\$ 9,319.79</u>	<u>\$ 9,319.79</u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Internal Service Fund
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Bus Repair and Maintenance Services		
LEAs Within the State	\$	\$
Services Provided by Other LEAs		
	<u> </u>	<u> </u>
Total Operating Revenue	<u> </u>	<u> </u>
OPERATING EXPENSES:		
Salaries		
Employee Benefits		
Repairs and Maintenance		
Supplies		
Other		
	<u> </u>	<u> </u>
Total Operating Expenses	<u> </u>	<u> </u>
Net Income (Loss)	<u> </u>	<u> </u>
Net Assets - July 1	<u> </u>	<u> </u>
Net Assets - June 30	\$ <u> </u>	\$ <u> </u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Internal Service Fund
Combining Statement of Cash Flows
For the Fiscal Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$	\$
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities		
Change in Assets and Liabilities		
(Increase)/Decrease in Intergovernmental Accounts Receivable		
Increase/(Decrease) in Deferred Revenue		
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Non-capital Financing Activities:		
Cash Received from State & Federal Reimbursements		
Net Cash Provided by Non-capital Financing Activities		
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets		
Net Cash Used for Capital and Related Financing Activities		
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents, July 1	9,319.79	9,319.79
Cash and Cash Equivalents, June 30	\$ 9,319.79	\$ 9,319.79

FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
As of June 30, 2012
(With Comparative Totals for June 30, 2011)

	Expendable Trust Fund	Agency		Totals	
	Unemployment Expendable Insurance	Student Activity	Payroll	2012	2011
ASSETS:					
Cash and Cash Equivalents	\$ 255,616.27	\$ 16,033.96	\$ 552,543.87	\$ 824,194.10	\$ 558,831.91
Interfund Receivable	120,100.99			120,100.99	
Total Assets	\$ 375,717.26	\$ 16,033.96	\$ 552,543.87	\$ 944,295.09	\$ 558,831.91
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$	\$	\$	\$	\$ 0.00
Interfund Payable			70,496.67	70,496.67	
Payroll Deductions & Withholdings			482,047.20	482,047.20	309,148.27
Due to Student Groups		16,033.96		16,033.96	17,369.24
Total Liabilities		16,033.96	552,543.87	568,577.83	326,517.51
Fund Balances:					
Reserved - Unemployment Claims	375,717.26			375,717.26	232,314.40
Total Fund Balances	375,717.26			375,717.26	232,314.40
Total Liabilities and Fund Balances	\$ 375,717.26	\$ 16,033.96	\$ 552,543.87	\$ 944,295.09	\$ 558,831.91

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Fiscal Year Ended June 30, 2012
(With Comparative Totals for the Fiscal Year Ended June 30, 2011)

	Unemployment Compensation Insurance Trust Fund	Totals	
		2012	2011
OPERATING REVENUES:			
Local Sources:			
Deductions from Employees' Salaries	\$ 52,056.53	\$ 52,056.53	\$ 131,067.31
Board Contribution	120,100.99	120,100.99	
Interest on Investments	1,119.35	1,119.35	847.57
Total Operating Revenues	173,276.87	173,276.87	131,914.88
OPERATING EXPENDITURES:			
Unemployment Compensation Insurance Claims	29,874.01	29,874.01	76,003.72
Total Operating Expenditures	29,874.01	29,874.01	76,003.72
Operating Income (Loss)	143,402.86	143,402.86	55,911.16
Fund Balances - July 1	232,314.40	232,314.40	176,403.24
Fund Balances - June 30	\$ 375,717.26	\$ 375,717.26	\$ 232,314.40

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disburse-</u> <u>ments</u>	<u>Accounts</u> <u>Payable</u>	<u>Balance</u> <u>June 30, 2012</u>
ELEMENTARY SCHOOLS:					
Mary F. Janvier	\$ 6,408.77	\$ 31.99	\$	\$	\$ 6,440.76
Main Road	5,304.24	28.24			5,332.48
Caroline L. Reutter	5,656.23	26.49	1,422.00		4,260.72
Total Elementary Schools	\$ <u>17,369.24</u>	\$ <u>86.72</u>	\$ <u>1,422.00</u>	\$	\$ <u>16,033.96</u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT

Payroll Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
ASSETS:				
Cash and Cash Equivalents	\$ 309,148.27	\$ 12,354,429.64	\$ 12,111,034.04	\$ 552,543.87
Total Assets	<u>\$ 309,148.27</u>	<u>\$ 12,354,429.64</u>	<u>\$ 12,111,034.04</u>	<u>\$ 552,543.87</u>
LIABILITIES:				
Net Payroll	\$	\$ 6,212,825.64	\$ 6,212,825.64	\$
Interfund Payable		70,496.67		70,496.67
Payroll Deductions and Withholdings	309,148.27	6,071,107.33	5,898,208.40	482,047.20
Total Liabilities	<u>\$ 309,148.27</u>	<u>\$ 12,354,429.64</u>	<u>\$ 12,111,034.04</u>	<u>\$ 552,543.87</u>

LONG-TERM DEBT

The long-term debt is used to reflect the outstanding principal balances of the long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Schedule of Serial Bonds
As of June 30, 2012

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>					
Addition to Caroline A. Reutter School	1/4/07	\$ 1,057,000	3/1/13	\$ 197,000	4.000%	\$ 382,000.00	\$	\$ 185,000.00	\$ 197,000.00
						\$ 382,000.00	\$	\$ 185,000.00	\$ 197,000.00

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Schedule of Obligations Under Capital Leases
As of June 30, 2012

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2011</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Cancelled</u>	<u>Amount Balance June 30, 2012</u>
Dell Computers	3.44%	\$ 73,833.30	\$ 31,060.81	\$	\$ 15,265.27		\$ 15,795.54
			<u>\$ 31,060.81</u>	<u>\$</u>	<u>\$ 15,265.27</u>		<u>\$ 15,795.54</u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Debt Service Fund Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 200,049.00	\$	\$ 200,049.00	\$ 200,049.00	\$
Total Revenues - Local Sources	<u>200,049.00</u>		<u>200,049.00</u>	<u>200,049.00</u>	
State Sources:					
Debt Service Aid Type II					
Total Revenues - State Sources					
Total Revenues	<u>200,049.00</u>		<u>200,049.00</u>	<u>200,049.00</u>	
EXPENDITURES					
Regular Debt Service:					
Interest	15,049.00		15,049.00	15,048.76	0.24
Redemption of Principal	185,000.00		185,000.00	185,000.00	
Total Regular Debt Service	<u>200,049.00</u>		<u>200,049.00</u>	<u>200,048.76</u>	<u>0.24</u>
Total Expenditures	<u>200,049.00</u>		<u>200,049.00</u>	<u>200,048.76</u>	<u>0.24</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0.00</u>		<u>0.00</u>	<u>0.24</u>	<u>0.24</u>
Fund Balances, July 1	<u>0.48</u>		<u>0.48</u>	<u>0.48</u>	
Fund Balances, June 30	\$ <u>0.48</u>	\$	\$ <u>0.48</u>	\$ <u>0.72</u>	\$ <u>0.24</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$	\$	\$	\$	\$

STATISTICAL SECTION

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS
(Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
Invested in Capital Assets, Net of Related Debt \$	7,474,370.62	\$ 7,564,172.17	\$ 8,053,599.75	\$ 7,201,443.00	\$ 8,291,823.28	\$ 8,202,073.85	\$ 8,209,174.61	\$ 8,339,304.37	\$ 8,338,463.39
Restricted	1,626,732.26	1,530,678.89	857,111.55	2,115,339.16	729,802.32	1,314,002.96	1,889,262.46	2,458,214.08	3,355,613.82
Unrestricted	(54,506.36)	(315,511.91)	(149,200.29)	79,044.55	(6,754.67)	(52,366.52)	(273,744.27)	(273,744.27)	(260,940.99)
Total Governmental Activities Net assets	<u>\$ 9,046,596.52</u>	<u>\$ 8,779,339.15</u>	<u>\$ 8,761,511.01</u>	<u>\$ 9,395,826.71</u>	<u>\$ 9,014,870.93</u>	<u>\$ 9,463,710.29</u>	<u>\$ 9,824,692.80</u>	<u>\$ 11,433,136.22</u>	<u>\$ 11,433,136.22</u>
Business-Type Activities									
Invested in Capital Assets, Net of Related Debt \$	33,894.47	\$ 33,881.45	\$ 28,672.84	\$ 89,633.58	\$ 90,992.99	\$ 82,011.50	\$ 73,062.91	\$ 70,669.82	\$ 67,702.56
Restricted									
Unrestricted				(32,489.85)	(38,513.54)	(14,568.37)	45,597.45	71,161.94	67,635.93
Total Business-Type Activities Net Assets	<u>\$ 33,894.47</u>	<u>\$ 33,881.45</u>	<u>\$ 28,672.84</u>	<u>\$ 57,143.73</u>	<u>\$ 52,479.45</u>	<u>\$ 67,443.13</u>	<u>\$ 118,660.36</u>	<u>\$ 135,338.49</u>	<u>\$ 135,338.49</u>
District-Wide									
Invested in Capital Assets, Net of Related Debt \$	7,508,265.09	\$ 7,598,053.62	\$ 8,082,272.59	\$ 7,291,076.58	\$ 8,382,816.27	\$ 8,284,085.35	\$ 8,282,237.52	\$ 8,409,974.19	\$ 8,406,165.95
Restricted	1,626,732.26	1,530,678.89	857,111.55	2,115,339.16	729,802.32	1,314,002.96	1,889,262.46	2,458,214.08	3,355,613.82
Unrestricted	(54,506.36)	(315,511.91)	(149,200.29)	46,554.70	(45,268.21)	(66,934.89)	(228,146.82)	(202,582.33)	(193,305.06)
Total District-Wide Net Assets	<u>\$ 9,080,490.99</u>	<u>\$ 8,813,220.60</u>	<u>\$ 8,790,183.85</u>	<u>\$ 9,452,970.44</u>	<u>\$ 9,067,350.38</u>	<u>\$ 9,531,153.42</u>	<u>\$ 9,943,353.16</u>	<u>\$ 10,665,605.94</u>	<u>\$ 11,568,474.71</u>

Source: CAFR Schedule A-1

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities									
Instruction									
Regular	\$ 4,566,162.56	\$ 4,664,050.22	\$ 4,842,515.24	\$ 5,063,001.51	\$ 5,465,351.05	\$ 5,612,092.23	\$ 6,053,072.34	\$ 5,529,636.47	\$ 5,520,612.33
Special Education	997,061.29	1,070,756.92	1,151,968.63	1,241,379.08	1,292,236.65	1,400,598.09	1,356,433.35	1,526,676.82	1,608,406.09
Other Instruction	207,311.83	280,595.14	247,479.70	227,393.87	330,287.40	429,715.16	429,423.50	409,140.12	483,329.66
Support Services									
Tuition	10,712.74	135,417.22	222,035.31	340,270.19	295,149.42	304,789.57	287,954.81	348,051.38	308,267.08
Student and Instruction Related Services	1,504,569.84	1,352,670.84	1,432,183.99	1,402,218.88	1,527,562.65	1,575,465.55	1,671,052.40	1,274,937.65	1,476,635.78
General Administrative Services	394,809.16	309,433.77	356,169.18	342,816.59	323,478.29	388,690.40	496,004.36	425,712.92	493,397.37
School Administrative Services	435,236.97	499,650.88	500,792.20	535,864.28	558,443.22	524,192.02	584,051.98	529,932.75	555,177.97
Central Services and Info. Technology				344,189.85	329,798.05	361,076.23	360,699.74	379,905.87	381,775.37
Plant Operations and Maintenance	1,283,594.70	1,328,840.82	1,484,654.17	1,711,946.94	1,807,200.24	1,594,075.93	1,742,311.36	1,580,662.04	1,627,003.38
Pupil Transportation	841,005.41	951,896.66	1,026,619.79	1,021,302.77	1,299,746.01	1,190,350.94	1,309,045.99	1,432,384.66	1,577,966.81
Employee Benefits	3,093,876.35	3,485,258.58	3,820,501.33	4,200,596.50	4,402,120.87	3,951,696.91	4,063,645.45	4,346,158.42	4,750,608.39
Amortization of Debt Issue Costs	2,000.00	2,000.00	2,000.00	3,564.90	3,564.90	3,564.90	3,564.90	3,564.90	3,564.90
Interest on Long-Term Debt	79,140.00	72,520.00	32,940.00	29,184.17	43,716.66	32,899.67	26,409.26	26,592.76	16,665.76
Unallocated Depreciation and Amortization	454,179.77	468,779.75	473,859.61	492,352.54	534,694.54	536,424.58	525,349.33	549,674.76	393,749.57
Total Governmental Activities Expenses	13,869,660.62	14,621,870.80	15,593,719.15	16,956,082.07	18,213,349.95	17,905,632.18	18,909,018.77	18,363,031.52	19,197,160.46
Business-Type Activities									
Food Service	461,344.97	473,190.03	497,332.98	510,358.52	544,818.17	544,856.35	559,818.52	585,957.10	609,962.43
Total Business-Type Activities Expense	461,344.97	473,190.03	497,332.98	510,358.52	544,818.17	544,856.35	559,818.52	585,957.10	609,962.43
Total District Expenses	\$ 14,331,005.59	\$ 15,095,060.83	\$ 16,091,052.13	\$ 17,466,440.59	\$ 18,758,168.12	\$ 18,450,488.53	\$ 19,468,837.29	\$ 18,948,988.62	\$ 19,807,122.89
Program Revenues									
Governmental Activities									
Operating Grants and Contributions	\$ 935,988.89	\$ 938,917.71	\$ 1,902,363.33	\$ 2,364,478.03	\$ 2,399,435.58	\$ 1,635,850.71	\$ 1,818,892.27	\$ 1,869,637.31	\$ 2,099,489.38
Total Governmental Activities Program Revenues	935,988.89	938,917.71	1,902,363.33	2,364,478.03	2,399,435.58	1,635,850.71	1,818,892.27	1,869,637.31	2,099,489.38
Business-Type Activities									
Charges for Services									
Food Service	283,814.47	303,872.91	319,428.71	340,320.84	334,903.64	352,438.26	322,491.92	342,208.46	323,401.00
Operating Grants and Contributions	146,194.30	147,486.11	169,158.07	198,508.57	195,250.25	207,381.77	238,657.49	266,920.04	280,068.16
Total Business-Type Activities Program Revenues	430,008.77	451,359.02	488,586.78	538,829.41	530,153.89	559,820.03	561,149.41	609,128.50	603,469.16
Total District Program Revenues	\$ 1,365,997.66	\$ 1,390,276.73	\$ 2,390,950.11	\$ 2,903,307.44	\$ 2,929,589.47	\$ 2,195,670.74	\$ 2,380,041.68	\$ 2,478,765.81	\$ 2,702,958.54
Net (Expense)/Revenue									
Governmental Activities	\$ (12,933,671.73)	\$ (13,682,953.09)	\$ (13,691,355.82)	\$ (14,591,604.04)	\$ (15,813,914.37)	\$ (16,269,781.47)	\$ (17,090,126.50)	\$ (16,493,394.21)	\$ (17,097,671.08)
Business-Type Activities	(31,336.20)	(21,831.01)	(8,746.20)	28,470.89	(14,664.28)	14,963.68	1,330.89	23,171.40	(6,493.27)
Total District-Wide Net Expense	\$ (12,965,007.93)	\$ (13,704,784.10)	\$ (13,700,102.02)	\$ (14,563,133.15)	\$ (15,828,578.65)	\$ (16,254,817.79)	\$ (17,088,795.61)	\$ (16,470,222.81)	\$ (17,104,164.35)
General Revenues and Other Changes in Net Assets									
Governmental Activities									
Property Taxes Levied for General Purposes, net	\$ 4,975,417.00	\$ 4,734,299.00	\$ 6,015,106.00	\$ 7,205,864.02	\$ 7,677,875.00	\$ 7,827,916.00	\$ 8,069,128.00	\$ 8,487,994.00	\$ 8,485,429.00
Taxes Levied for Debt Service	220,237.00	209,579.00	198,920.00	187,724.00	208,073.00	200,005.00	198,611.00	202,024.00	200,049.00
Unrestricted Grants and Contributions	7,781,809.41	8,325,184.04	7,092,389.25	7,399,414.47	7,277,944.43	8,362,366.00	8,924,023.02	8,202,894.35	8,595,288.39
Tuition Received	44,206.20	132,271.02	203,029.31	189,409.55	211,508.69	167,749.17	112,617.23	227,301.81	255,879.75
Investment Earnings	29,040.30	33,068.41	42,946.17	97,322.68	70,873.83	24,992.56	16,772.79	17,558.29	20,500.91
Transportation Revenue						87,925.65	145,079.08	189,075.28	165,206.71
Miscellaneous Income	392,564.70	57,965.42	116,286.11	122,312.88	106,846.72	40,432.05	42,681.23	64,843.69	60,855.01
Closeout of Capital Projects					(86,470.47)				
Transfer to Charter School		(22,748.00)				(7,751.00)	(7,917.00)	(8,376.00)	(16,895.00)
Compensated Absences		(32,105.18)	3,308.57	28,952.00	(23,692.61)	14,985.40			
Transfers	(31,349.22)	(21,817.99)	(3,537.59)		(10,000.00)		(49,886.34)		
Total Governmental Activities	13,411,725.39	13,415,695.72	13,668,447.82	15,230,999.60	15,432,958.59	16,718,620.83	17,451,109.01	17,383,315.42	17,766,313.77
Business-Type Activities									
Transfer	31,349.22	21,817.99	3,537.59		10,000.00		49,886.34		
Total Business-Type Activities	31,349.22	21,817.99	3,537.59		10,000.00		49,886.34		
Total District-Wide	\$ 13,443,074.61	\$ 13,437,513.71	\$ 13,671,985.41	\$ 15,230,999.60	\$ 15,442,958.59	\$ 16,718,620.83	\$ 17,500,995.35	\$ 17,383,315.42	\$ 17,766,313.77
Change in Net Assets									
Governmental Activities	\$ 478,053.66	\$ (267,257.37)	\$ (22,908.00)	\$ 639,395.56	\$ (380,955.78)	\$ 448,839.36	\$ 360,982.51	\$ 889,921.21	\$ 668,642.69
Business-Type Activities	13.02	(13.02)	(5,208.61)	28,470.89	(4,664.28)	14,963.68	51,217.23	23,171.40	(6,493.27)
Total District-Wide	\$ 478,066.68	\$ (267,270.39)	\$ (28,116.61)	\$ 667,866.45	\$ (385,620.06)	\$ 463,803.04	\$ 412,199.74	\$ 913,092.61	\$ 662,149.42

Source: CAFR Schedule A-2

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FUND BALANCES-GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund									
Reserved	\$ 907,358.15	\$ 614,880.76	\$ 510,960.78	\$ 1,004,410.94	\$ 880,513.08	\$ 1,858,853.51	\$ 2,274,992.67	\$ 2,908,362.48	\$ 3,691,303.83
Unreserved	791,637.94	247,465.46	153,330.41	(31,002.06)	(11,843.12)	(387,866.56)	(514,515.53)	(278,930.53)	(443,397.60)
Total General Fund	<u>\$ 1,698,996.09</u>	<u>\$ 862,346.22</u>	<u>\$ 664,291.19</u>	<u>\$ 973,408.88</u>	<u>\$ 868,669.96</u>	<u>\$ 1,470,986.95</u>	<u>\$ 1,760,477.14</u>	<u>\$ 2,629,431.95</u>	<u>\$ 3,247,906.23</u>
All Other Governmental Funds									
Reserved	\$ 79,779.00	\$ 2,746.66	\$	\$ 49,296.57	\$ 87,355.03	\$	\$	\$	\$
Unreserved, Reported in:									
Special Revenue Fund	(10,099.10)	(10,099.10)	(10,099.10)	(10,099.10)	(10,101.00)				
Capital Projects Fund		603,908.47	289,545.87	1,381,752.53				0.48	0.72
Debt Service Fund					0.50	0.50	0.24		
Permanent Fund									
Total All Other Governmental Funds	<u>\$ 69,679.90</u>	<u>\$ 596,556.03</u>	<u>\$ 279,446.77</u>	<u>\$ 1,420,950.00</u>	<u>\$ 77,254.53</u>	<u>\$ 0.50</u>	<u>\$ 0.24</u>	<u>\$ 0.48</u>	<u>\$ 0.72</u>

Source: CAFR Schedule B-1

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Tax Levy	\$ 4,759,572.00	\$ 5,195,654.00	\$ 4,943,878.00	\$ 6,214,026.00	\$ 7,393,588.02	\$ 7,885,948.00	\$ 8,027,921.00	\$ 8,267,739.00	\$ 8,690,018.00	\$ 8,685,478.00
Tuition Charges	60,589.71	44,206.20	132,271.02	203,029.31	189,409.55	211,508.69	167,749.17	112,617.23	227,301.81	255,879.75
Rent	48,500.00	48,500.00	48,500.00	48,500.00	48,500.00		4,700.00	600.00		
Interest Earnings	32,568.13	29,040.30	33,068.41	42,946.17	97,322.68	70,873.83	24,992.56	16,772.79	17,558.29	20,500.91
Miscellaneous	46,507.24	344,064.70	9,465.42	67,786.11	11,111.20	106,846.72	123,657.70	180,665.31	253,918.97	226,061.72
State Sources	7,334,497.78	7,945,494.47	8,170,109.34	8,301,451.38	9,105,211.93	9,061,269.56	9,439,702.08	8,660,873.82	9,319,113.72	9,574,459.97
Federal Sources	589,774.20	731,470.83	737,369.41	693,301.20	658,680.57	597,406.60	554,007.98	2,070,581.47	753,417.94	1,120,317.80
Total Revenues	12,872,009.06	14,338,430.50	14,074,661.60	15,571,040.17	17,503,823.95	17,933,853.40	18,342,730.49	19,309,849.62	19,261,328.73	19,882,698.15
Expenditures										
Instruction										
Regular Instruction	4,243,833.33	4,566,162.56	4,664,050.22	4,842,515.24	5,063,001.51	5,391,517.75	5,625,864.91	6,067,322.94	5,624,876.47	5,533,589.10
Special Education Instruction	975,501.43	997,061.29	1,070,756.92	1,151,968.63	1,241,379.08	1,292,236.65	1,400,598.09	1,356,433.35	1,526,676.82	1,608,406.09
Other Instruction	166,379.40	207,311.83	280,595.14	247,479.70	227,393.87	330,287.40	429,715.16	429,423.50	409,140.12	483,329.66
Support Services										
Tuition	177,199.46	10,712.74	135,417.22	222,035.31	340,270.19	295,149.42	304,789.57	287,954.81	348,051.38	308,267.08
Student & Instr. Related Serv.	1,399,444.76	1,504,569.84	1,352,670.84	1,432,183.99	1,402,218.88	1,527,562.65	1,575,465.55	1,671,052.40	1,274,937.65	1,476,635.78
General Administrative Serv.	366,047.67	394,809.16	309,433.77	356,169.18	388,134.82	354,034.80	388,690.40	496,004.36	425,712.92	492,777.37
School Administrative Serv.	407,137.54	435,236.97	521,706.04	524,465.27	535,864.28	558,443.22	545,469.35	584,051.98	529,932.75	554,976.76
Central Services/Informatn. Tech					344,189.85	329,798.05	260,996.13	360,699.74	379,905.87	381,775.37
Plant Operations & Maint.	1,376,187.73	1,283,594.70	1,328,840.82	1,484,654.17	1,690,994.67	1,788,710.38	1,606,403.74	1,742,311.36	1,580,662.04	1,592,720.68
Pupil Transportation	777,961.97	841,005.41	951,896.66	1,026,619.79	1,021,302.77	1,299,746.01	1,190,350.94	1,294,046.24	1,432,384.66	1,440,365.11
Business & Other Supp. Serv.	223,643.48	239,022.29	302,215.75	341,627.75			100,080.10			
Unallocated Employee Benefits	2,436,901.33	2,854,854.06	3,135,416.96	3,478,873.58	4,199,729.33	4,401,906.88	3,951,580.35	4,126,444.92	4,288,108.24	4,795,152.44
Capital Outlay	291,777.97	384,983.27	109,375.14	604,534.26	306,983.78	1,508,351.61	229,907.24	348,199.49	361,585.00	379,284.43
Debt Service										
Principal	335,000.00	330,000.00	330,000.00	330,000.00	329,000.00	160,000.00	165,000.00	170,000.00	180,000.00	185,000.00
Interest and Other Charges	99,240.00	79,140.00	59,340.00	39,540.00	19,740.00	48,072.50	35,005.00	28,611.26	22,023.76	15,048.76
Total Expenditures	13,276,256.07	14,128,464.12	14,551,715.48	16,082,666.87	17,110,203.03	19,285,817.32	17,809,916.53	18,962,556.35	18,383,997.68	19,247,328.63
Excess (Deficiency) of Revenues Over (Under) Expenditures	(404,247.01)	209,966.38	(477,053.88)	(511,626.70)	393,620.92	(1,351,963.92)	532,813.96	347,293.27	877,331.05	635,369.52
Other Financing Sources (Uses)										
Capital Leases (Non-budgeted)		118,959.27								
Bond Proceeds					1,057,000.00					
Cancellation of State Grant						(86,470.47)				
Transfer to Charter School							(7,751.00)	(7,917.00)	(8,376.00)	(16,895.00)
Transfers	(30,627.77)	(70,495.22)	(359,595.99)	(3,537.59)		(10,000.00)		(49,886.34)		
Total Other Financing Sources (Uses)	(30,627.77)	48,464.05	(359,595.99)	(3,537.59)	1,057,000.00	(96,470.47)	(7,751.00)	(57,803.34)	(8,376.00)	(16,895.00)
Net Change in Fund Balances	\$ (434,874.78)	\$ 258,430.43	\$ (836,649.87)	\$ (515,164.29)	\$ 1,450,620.92	\$ (1,448,434.39)	\$ 525,062.96	\$ 289,489.93	\$ 868,955.05	\$ 618,474.52
Debt Service as a Percentage of Noncapital Expenditures										
	3.3%	3.0%	2.7%	2.4%	2.1%	1.2%	1.1%	1.1%	1.1%	1.1%

Source: CAFR Schedule B-2

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
 (UNAUDITED)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>		<u>Interest on</u> <u>Investments</u>		<u>Tuition</u> <u>Revenue</u>		<u>Rentals</u>		<u>Transp.</u> <u>Fees</u>		<u>Medicare</u> <u>SEMI &</u> <u>EPSDT</u>		<u>Refund of</u> <u>Prior Year</u> <u>Expenditure</u>		<u>Insurance</u> <u>Dividends/</u> <u>Adj.</u>		<u>E-Rate</u> <u>reimb.</u>		<u>Misc.*</u>		<u>Total</u>
2012	\$	20,500.91	\$	260,016.13	\$	742.50	\$	165,206.71	\$	19,692.32	\$	36,628.68	\$	16,904.92	\$		\$	2,442.53	\$	522,134.70
2011		17,558.29		227,301.81				189,075.28		8,133.97		4,278.96						18,396.07		464,744.38
2010		16,772.79		112,617.23		600.00		145,079.08				11,932.57		15,516.31				8,137.35		310,655.33
2009		24,992.56		167,749.17		4,700.00		87,925.65										35,732.05		321,099.43
2008		70,873.83		211,508.69				14,708				48,579.33		35,750.91		1,446.04		6,362.72		389,229.24
2007		97,322.68		189,409.55		48,500.00		9,734.00				230.39						1,146.81		346,343.43
2006		42,946.17		203,029.31		48,500.00						11,661.89		46,041.56		8,581.04		1,501.62		362,261.59
2005		33,068.41		132,271.02		48,500.00				4,433.70				730.00				8,735.42		227,738.55
2004		29,040.30		44,206.20		48,500.00						1,147		19,152				323,766.04		465,811.20
2003		32,541.40		60,589.71		48,500.00				23,859.28		1,592.52						21,055.44		188,138.35

* For year ending June 30, 2004, includes sale of the Malaga School for \$300,000.00

Source: District Records

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct and Regional School Tax Rate ^b	Estimated Actual (County Equalized Value)
2012	\$ 23,785,000	\$ 676,688,100	\$ 33,177,400	\$ 5,877,300	\$ 62,760,500	\$	\$ 1,969,800	\$ 804,258,100	\$ 2,447,866	\$ 806,705,966	\$ 2.391	\$ 1,383,180,084
2011	23,414,600	676,493,100	32,851,900	5,907,600	62,685,000		1,969,800	803,322,000	2,405,012	805,727,012	2.338	1,460,207,338
2010	24,021,100	681,600,400	31,797,900	5,883,200	60,877,100		1,969,800	806,149,500	2,749,739	808,899,239	2.258	1,499,113,437
2009	24,893,100	674,513,800	33,593,800	5,128,100	61,432,900		1,969,800	801,531,500	2,676,260	804,207,760	2.160	1,543,539,661
2008	25,204,900	656,497,100	34,245,100	5,323,100	59,615,100		1,957,100	782,842,400	2,528,351	785,370,751	2.145	1,507,785,824
2007	28,786,900	624,421,300	33,380,800	5,327,000	59,315,300		1,985,700	753,217,000	2,577,876	755,794,876	2.157	1,453,303,993
2006	29,814,600	604,152,100	32,267,900	5,412,300	58,711,100		1,985,700	732,343,700	2,903,630	735,247,330	2.038	1,115,205,228
2005	30,250,800	573,994,100	31,929,600	5,438,700	59,033,600		1,981,200	702,628,000	3,574,585	706,202,585	1.838	1,065,072,002
2004	30,227,200	549,012,900	31,171,200	5,545,000	58,359,100		2,206,100	676,521,500	4,307,595	680,829,095	1.772	896,411,157
2003	28,795,600	533,080,800	31,995,500	5,680,100	56,677,100		2,206,100	658,435,200	4,803,678	663,238,878	1.735	782,640,200

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100

c Estimate

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)

Year Ended June 30,	Franklin Township Board of Education			Overlapping Rates			Franklin Township Open Space	Total
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Southern Glouc. Co. Regional High School District	Franklin Township	Gloucester County		
2012	\$ 1.088	\$ 0.026	\$ 1.114	\$ 1.277	\$ 0.893	\$ 0.944	\$ 0.01	\$ 4.238
2011	1.057	0.025	1.082	1.256	0.903	0.98	0.009	4.230
2010	1.023	0.025	1.048	1.21	0.859	1.018	0.010	4.145
2009	0.989	0.025	1.014	1.146	0.811	1.054	0.009	4.034
2008	0.987	0.027	1.014	1.131	0.767	1.058	0.010	3.980
2007	0.985	0.026	1.011	1.146	0.730	0.975	0.010	3.132
2006	0.896	0.030	0.926	1.112	0.675	0.896	0.010	3.619
2005	0.757	0.033	0.790	1.048	0.695	0.853	0.010	3.396
2004	0.713	0.032	0.745	1.028	0.692	0.743	0.010	3.218
2003	0.714	0.037	0.751	0.897	0.674	0.661	0.010	2.993

Source: District Records and Municipal Tax Collector

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy. The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2011*		2002	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
RT Enterprises, LLC	\$ 4,483,900	0.56%	\$	
R Leo & Son, LLC	2,277,700	0.28%		
Wawa Inc.	1,498,800	0.19%	1,080,800	0.16%
Sharon Reed Community Dev. Corp	1,438,200	0.18%		
Taxpayer #1	1,260,300	0.16%	2,277,700	0.34%
State of NJ, Dep C/O White Oak CC	1,195,900	0.15%	2,532,800	0.38%
Blackwood Town Industries, Inc	1,143,300	0.14%		
Visconti Brothers Properties, LLC	1,117,900	0.14%		
PDM, LLC: CVS	1,086,500	0.13%	1,087,000	0.16%
Taxpayer #2	1,076,000	0.13%	870,700	0.13%
Rosemar Properties, V, LLC			950,000	0.14%
Niagara Chemical Co. FMC Corp.			847,900	0.13%
Meredith Farms			1,023,600	0.15%
Berkshire Gardens & Properties			1,663,700	0.25%
New Jersey Bell Telephone Co.			4,307,595	0.65%
Total	\$ 15,502,500	1.92%	\$ 16,641,795	2.49%

* 2012 Unavailable at time of audit

Source: District CAFR & Municipal Tax Assessor

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,		Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
			Amount	% of Levy	
2012	\$	8,685,478.00	\$ 8,685,478.00	100.00%	\$
2011		8,690,018.00	8,690,018.00	100.00%	
2010		8,267,739.00	8,267,739.00	100.00%	
2009		8,027,921.00	8,027,921.00	100.00%	
2008		7,885,948.00	7,885,948.00	100.00%	
2007		7,393,588.02	7,393,588.02	100.00%	
2006		6,214,026.00	6,214,026.00	100.00%	
2005		4,943,878.00	4,943,878.00	100.00%	
2004		5,195,654.00	5,195,654.00	100.00%	
2003		4,759,572.00	4,759,572.00	100.00%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

Note: School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, the amount voted upon or certified prior to the end of the school year.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^u	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2012	\$ 197,000	\$ 15,796	\$	\$	\$ 212,796	0.03%	\$ 12	*
2011	382,000	31,061			413,061	0.06%	24	
2010	562,000	136,980			698,980	0.10%	39	
2009	732,000	190,431			922,431	0.13%	53	
2008	897,000	242,199			1,139,199	0.17%	66	
2007	1,057,000	27,274			1,084,274	0.17%	63	
2006	329,000	52,683			381,683	0.06%	23	
2005	659,000	76,356			735,356	0.13%	44	
2004	989,000	98,411			1,087,411	0.20%	66	
2003	1,319,000	44,939			1,363,939	0.27%	85	

* Estimate

Source: District CAFR Schedules I-1, I-2

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2012	\$ 197,000	\$	\$ 197,000	0.01%	\$ 11 *
2011	382,000		382,000	0.03%	23
2010	562,000		562,000	0.04%	32
2009	732,000		732,000	0.05%	42
2008	897,000		897,000	0.06%	52
2007	1,057,000		1,057,000	0.07%	62
2006	329,000		329,000	0.03%	20
2005	659,000		659,000	0.06%	40
2004	989,000		989,000	0.11%	60
2003	1,319,000		1,319,000	0.17%	82

* Estimate

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

If a district has resources that are restricted to repaying the principal of debt outstanding, these amounts should be shown in a separate column "Deductions" and be subtracted from the total, and the schedule should be named ratios of net general bonded debt outstanding.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ^a	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Franklin Township	\$ 11,257,573	100.0%	\$ 11,257,573
Other debt			
Gloucester County - Township's Share	281,520,893	5.0%	14,139,702
Southern Gloucester County Regional High School District	3,423,354	78.8%	2,698,577
Subtotal, Overlapping Debt			28,095,852
Franklin Township School District Direct Debt			197,000
Total Direct and Overlapping Debt			\$ 28,292,852

Sources: Franklin Township Finance Officer and Gloucester County Finance Office

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Franklin. This process recognizes that, when considering the District's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping payment.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the district's boundaries and dividing it by each unit's total taxable value.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized Valuation Basis	
	2011	\$ 1,376,730,077
	2010	1,459,886,816
	2009	1,485,142,672
	[A]	\$ 4,321,759,565
Average Equalized Valuation of Taxable Property	[A/3]	\$ 1,440,586,522
Debt Limit (2.5% of Average Equalization Value)	[B]	36,014,663 a
Net Bonded School Debt	[C]	197,000
Legal Debt Margin	[B-C]	\$ 35,817,663

Fiscal Year Ending June 30,

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 16,674,265	\$ 17,963,442	\$ 19,880,324	\$ 22,867,695	\$ 27,143,400	\$ 31,762,692	\$ 35,406,160	\$ 36,984,642	\$ 37,060,981	\$ 36,014,663
Total Net Debt Applicable to Limit	1,319,000	989,000	659,000	329,000	1,057,000	897,000	732,000	562,000	382,000	197,000
Legal Debt Margin	<u>\$ 15,355,265</u>	<u>\$ 16,974,442</u>	<u>\$ 19,221,324</u>	<u>\$ 22,538,695</u>	<u>\$ 26,086,400</u>	<u>\$ 30,865,692</u>	<u>\$ 34,674,160</u>	<u>\$ 36,422,642</u>	<u>\$ 36,678,981</u>	<u>\$ 35,817,663</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.91%	5.51%	3.31%	1.44%	3.89%	2.82%	2.07%	1.52%	1.03%	0.55%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

<u>Year</u>		<u>Population ^a</u>		<u>Personal Income (thousands of dollars) ^b</u>		<u>Per Capita Personal Income ^c</u>		<u>Unemployment Rate ^d</u>
2012	*	17,206	\$	754,575,872	\$	43,854	*	12.3%
2011		16,869		718,233,269		42,577		12.4%
2010		16,835		695,908,395		41,337		12.7%
2009		17,368		695,588,400		40,050		12.0%
2008		17,319		699,618,324		40,396		6.4%
2007		17,174		654,226,356		38,094		7.0%
2006		16,845		615,280,470		36,526		6.5%
2005		16,587		572,234,913		34,499		5.5%
2004		16,353		539,125,704		32,968		6.2%
2003		15,989		501,079,271		31,339		5.9%

* Estimate

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income

^c Per Capita

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Employer	2012			2003		
	Employees	Rank (Optional)	Percentage of Total Municipal Employment	Employees	Rank (Optional)	Percentage of Total Municipal Employment
Underwood Memorial Hospital	1,825	1	N/A	N/A	N/A	N/A
Kennedy Memorial Hospital	1,675	2	N/A	N/A	N/A	N/A
County of Gloucester	1,500	3	N/A	N/A	N/A	N/A
Washington Township School District	1,498	4	N/A	N/A	N/A	N/A
Rowan University	1,483	5	N/A	N/A	N/A	N/A
Missa Bay, LLC	950	6	N/A	N/A	N/A	N/A
Monroe Township School District	792	7	N/A	N/A	N/A	N/A
U.S. Foodservices	725	8	N/A	N/A	N/A	N/A
Exxon Mobile Research & Developme	700	9	N/A	N/A	N/A	N/A
Delaware Valley Wholesale Florist	500	10	N/A	N/A	N/A	N/A
	<u>11,648</u>					

Source: Gloucester County Department of Economic Development, Gloucester County School Districts

Note - The information provided is for the County of Gloucester, information at the municipal level is not readily available.

N/A - Information not available

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction										
Regular	71	70	71	72	72	73	73	73	73	75
Special Education	30	28	31	32	31	36	36	36	39	45
Other Special Education	0	0	0	0	0	0	0	0	0	0
Vocational	0	0	0	0	0	0	0	0	0	0
Other Instruction	8	8	8	7	7	7	7	7	2	0
Support Services:										
Student & Instruction Related Services	22	22	23	21	20	20	20	20	21	16
General Administration	5	5	5	5	5	5	5	5	3	3
School Administrative Services	7	7	7	8	8	8	8	8	8	8
Other Administrative Services	0	0	0	0	0	0	0	0	0	0
Central Services	5	5	5	5	4	4	4	4	4	4
Administrative Information Technology	1	2	2	2	2	0	0	0	0	0
Plant Operations and Maintenance	21	21	21	21	20	21	21	21	17	18
Pupil Transportation	31	30	28	29	29	30	30	30	41	38
Other Support Services	0	0	0	0	0	0	0	0	0	0
Food Service	0	0	0	0	0	0	0	0	0	0
Total	201	198	201	202	198	204	204	204	208	207

Source: District Personnel Records

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/ Teacher Ratio Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2012	1,381	\$ 18,868,044	\$ 13,663	8.5%	120	12 : 1	1,388.2	1,323.8	-2.53%	95.36%
2011	1,431	18,022,413	12,594	-3.2%	104	14 : 1	1,424.2	1,355.7	0.15%	95.19%
2010	1,416	18,415,746	13,005	8.7%	116	12 : 1	1,422.1	1,353.6	-1.86%	95.18%
2009	1,452	17,380,004	11,970	1.2%	116	13 : 1	1,449.1	1,381.7	-2.12%	95.35%
2008	1,486	17,569,393	11,823	11.3%	116	13 : 1	1,480.5	1,407.3	-3.96%	95.06%
2007	1,549	16,454,479	10,623	3.3%	125	14 : 1	1,541.6	1,465.2	3.68%	95.04%
2006	1,469	15,108,593	10,285	4.7%	126	13 : 1	1,486.9	1,414.3	3.82%	95.12%
2005	1,431	14,053,000	9,820	5.4%	120	13 : 1	1,432.2	1,357.8	-0.42%	94.81%
2004	1,431	13,334,341	9,318	5.5%	124	15 : 1	1,438.3	1,367.6	0.58%	95.08%
2003	1,421	12,556,016	8,836	6.0%	122	23 : 1	1,430.0	1,360.4	-0.02%	95.13%

Sources: District records and ASSA

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
District Building										
Elementary										
Caroline L. Reutter (1952)										
Square Feet	50,800	50,800	50,800	50,800	50,800	50,800	56,905	56,905	56,905	56,905
Capacity (students)	428	428	428	428	428	428	428	428	428	481
Enrollment	406	401	413	413	413	413	385	390	466	481
Main Road (1968)										
Square Feet	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400	59,400
Capacity (students)	516	516	516	516	516	516	516	516	516	516
Enrollment	467	465	450	455	469	469	477	486	402	365
Mary F. Janvier (1989)										
Square Feet	66,500	66,500	66,500	66,500	66,500	66,500	66,500	66,500	66,500	66,500
Capacity (students)	784	784	784	784	784	784	784	784	784	784
Enrollment	558	565	606	618	660	660	541	506	528	535
* Lake School (1938)										
Square Feet	5,710	5,710	5,710	5,710	5,710	5,710	5,710	5,710	5,710	5,710
Capacity (students)	54	54	54	54	54	54	54	54	54	54
Enrollment	*	*	*	*	*	48	49	43	35	-
Other										
Administration Building (1992)										
Square Feet	7,911	7,911	7,911	7,911	7,911	7,911	7,911	7,911	7,911	7,911
Transportation/Maintenance Building (1992)										
Square Feet	7,133	7,133	7,133	7,133	7,133	7,133	7,133	7,133	7,133	7,133
Storage/Grounds Building (1989)										
Square Feet	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885	2,885

Number of Schools at June 30, 2011

 Elementary = 4

 Middle School =

 Other =

Source: District records

Note: Year of original construction is shown in parentheses.

* Lake School was rented out to Creative Achievement Academy until the 2007-08 school year.

Enrollment is based on the annual October district count.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

<u>School Facilities</u>	<u>Gross Square Footage</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Caroline L. Reutter School	56,905	\$ 89,859.49	\$ 82,608.08	\$ 94,532.54	\$ 48,468.04	\$ 68,134.00	\$ 40,759.13	\$ 51,281.25	\$ 73,900.91	\$ 51,468.02	\$ 81,485.89
Main Road School	59,400	65,209.43	72,625.32	45,292.66	48,415.45	50,696.00	56,047.45	69,892.55	56,478.64	92,145.14	102,551.98
Mary F. Janvier School	66,500	155,949.72	79,326.16	67,489.55	81,426.56	72,264.00	283,399.53	100,506.08	56,854.60	63,110.83	113,872.80
Lake School	5,710	28,152.20	44,043.04	41,044.67	20,266.31	8,263.00	7,387.00	5,908.00	6,958.00	9,286.00	
Total School Facilities		<u>339,170.84</u>	<u>278,602.60</u>	<u>248,359.42</u>	<u>198,576.36</u>	<u>199,357.00</u>	<u>380,206.11</u>	<u>221,679.88</u>	<u>194,192.15</u>	<u>216,009.99</u>	<u>297,910.67</u>
Other Facilities	17,929	84,237.06	67,220.27	67,211.44	79,079.10	254,651.00	20,059.52	14,328.97	25,839.29	24,261.84	30,759.40
Grand Total		<u>\$ 423,407.90</u>	<u>\$ 345,822.87</u>	<u>\$ 315,570.86</u>	<u>\$ 277,655.46</u>	<u>\$ 454,008.00</u>	<u>\$ 400,265.63</u>	<u>\$ 236,008.85</u>	<u>\$ 220,031.44</u>	<u>\$ 240,271.83</u>	<u>\$ 328,670.07</u>

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Company	Type of Coverage	Coverage	Deductible
Republic Franklin Ins	Commercial Property Coverage - Blanket Including Boiler	\$ 36,164,210	\$ 1,000
	Commercial General Liability	1,000,000 occ/ 3,000,000 agg.	
	Comprehensive Automobile Liability	1,000,000	Comp. - 500 Collision - 1,000
	Computers and Scheduled Equipment - Including Software (Commercial Inland Marine)	750,000	1,000
	School District Legal Liability	1,000,000 3,000,000 agg.	
	Commercial Crime Coverage Employee Dishonesty	100,000	1,000
	Automobile	1,000,000	500/1,000
	Employee Benefits Liability	1,000,000 claim 3,000,000 agg.	1,000
Utica National Ins.	Commercial Umbrella Liability	10,000,000 occ/ 10,000,000 agg	10,000
Fireman's Fund Ins.	Excess Umbrella - Catastrophic Excess of \$10,000,000	50,000,000 occ/ 50,000,000 agg	
NJSBAIG	Workers Compensation	2,000,000 accident/ 2,000,000 aggregate 2,000,000 each employee	
Berkley Insurance Co./ McCloskey Insurance Co	Student Accident Insurance	1,000,000 max per injury	
Markel Insurance Co.	Catastrophic Accident Insurance	5,000,000 medical expense benefi	
Ohio Casualty	Surety Bonds		
	Elizabeth DiPietro	10,000	
	Blanket Employee Dishonesty	5,000	

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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September 27, 2012

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable President and
Members of the Board of Education
Township of Franklin School District
County of Gloucester
Franklinville, New Jersey 08322

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Township of Franklin School District, in the County of Gloucester, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Board of Education of the Township of Franklin School District's basic financial statements and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Board of Education of the Township of Franklin School District, in the County of Gloucester, State of New Jersey, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Franklin Township Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin Township Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin Township Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

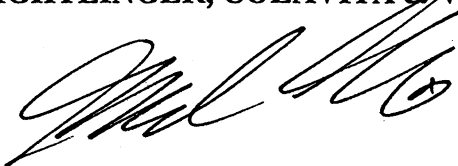
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin Township Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Franklin Township Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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September 27, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04**

The Honorable President and
Members of the Board of Education
Township of Franklin School District
County of Gloucester
Franklinville, New Jersey 08322

Compliance

We have audited the Board of Education of the Township of Franklin School District, in the County of Gloucester, State of New Jersey, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Township of Franklin School District major federal and state programs for the fiscal year ended June 30, 2012. The Franklin Township Board of Education's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the Franklin Township Board of Education's management. Our responsibility is to express an opinion on the Franklin Township Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Franklin Township Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Franklin Township Board of Education's compliance with those requirements.

In our opinion, the Township of Franklin School District's Board of Education, in the County of Gloucester, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

Management of the Township of Franklin School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered Franklin Township Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of Franklin School District's Board of Education's internal control over compliance.

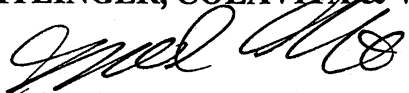
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the audit committee, management, the Franklin Township Board of Education, the New Jersey State Department of Education, other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards, Schedule A
For the Fiscal Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		June 30, 2011		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years Balances	June 30, 2012		
				From	To	Deferred Rev. (Acct. Rec.)	Due to Grantor at					(Accounts Receivable)	Deferred Revenue	Due to Grantor at
U.S. Department of Education														
General Fund:														
Education Jobs Fund	84.410A	ARRA	\$ 300,040.00	8/10/10	9/30/12	\$	\$	\$	268,728.00	\$ (300,040.00)	\$	\$ (31,312.00)	\$	\$
Medical Assistance Program	93.778	NA	19,692.32	7/1/11	6/30/12				10,125.06	(19,692.32)		(9,567.26)		
Medical Assistance Program	93.778	NA	8,133.97	7/1/10	6/30/11	(7,713.52)			7,713.52					
Total General Fund						(7,713.52)			286,566.58	(319,732.32)		(9,567.26)		
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I	84.010A	NCLB159011	205,034.00	9/1/10	8/31/11	(40,220.83)			120,189.25	(79,968.42)				
Title I	84.010A	NCLB159012	202,860.00	9/1/11	8/31/12				94,365.00	(146,883.02)		(52,518.02)		
Title I	84.010A	NCLB159010	187,341.00	9/1/09	8/31/10	0.44						0.44		
Title II-A	84.367A	NCLB159007	68,622.00	9/1/06	8/31/07		514.00				(514.00)			
Title II-A	84.367A	NCLB159011	73,251.00	9/1/10	8/31/11	(14,177.11)			56,172.00	(41,994.60)		0.29		
Title II-A	84.367A	NCLB159012	126,086.00	9/1/11	8/31/12				27,953.00	(38,592.33)		(10,639.33)		
Title II-A	84.367A	NCLB159010	71,680.00	9/1/09	8/31/10	0.35						0.35		
Title II-D	84.318X	NCLB1590012	438.00	9/1/11	8/31/12									
Title II-D	84.318X	NCLB159007	1,002.00	9/1/06	8/31/07		142.00				(142.00)			
Title IV	84.186A	NCLB159007	6,858.00	9/1/06	8/31/07		23.36				(23.36)			
Title V	84.298A	NCLB159007	2,241.00	9/1/06	8/31/07		316.00				(316.00)			
ARRA - Title 1	84.389A	ARRA159011	51,179.00	9/1/09	8/31/11				51,179.00	(51,179.00)				
ARRA - IDEA	84.391	ARRA159011	326,356.00	9/1/09	8/31/11	(221,137.10)			221,137.10					
ARRA - IDEA	84.391	ARRA159010	326,356.00	9/1/09	8/31/11	(1,999.90)			1,999.90					
ARRA - IDEA Preschool	84.392A	ARRA159011	11,780.00	9/1/09	8/31/11	(2,074.35)			6,703.00	(4,628.65)				
I.D.E.A. Part B, Basic Regular	84.027	IDEA159012	374,599.00	9/1/11	8/31/12				273,227.00	(308,497.60)		(35,270.60)		
I.D.E.A. Part B, Basic Regular	84.027	IDEA159011	251,908.00	9/1/10	8/31/11				87,569.00	(87,569.21)		(0.21)		
I.D.E.A. Part B, Preschool	84.173	IDEA159012	21,384.00	9/1/11	8/31/12				21,384.00	(21,384.00)				
Total Special Revenue Fund						(279,608.50)	995.36		961,878.25	(780,696.83)	(995.36)	(98,427.08)		
U.S. Department of Agriculture														
Passed-through State Department of Education														
Enterprise Fund:														
Food Distribution Program	10.565	N/A	52,397.29	7/1/11	6/30/12				52,397.29	(42,977.87)			9,419.42	
Food Distribution Program	10.565	N/A	32,068.98	7/1/10	6/30/11	4,828.17				(4,828.17)				
School Breakfast Program	10.553	N/A	49,010.34	7/1/11	6/30/12				47,181.75	(49,010.34)		(1,828.59)		
School Breakfast Program	10.553	N/A	46,990.24	7/1/10	6/30/11	(2,988.94)			2,988.94					
Special Milk Program	10.556	N/A	348.41	7/1/11	6/30/12				337.99	(348.41)		(10.42)		
Special Milk Program	10.556	N/A	536.91	7/1/10	6/30/11	(30.70)			30.70					
National School Lunch Program	10.555	N/A	176,313.44	7/1/11	6/30/12				170,096.98	(176,313.44)		(6,216.46)		
National School Lunch Program	10.555	N/A	174,219.98	7/1/10	6/30/11	(9,240.78)			9,240.78					
Total Enterprise Fund						(7,432.25)			282,274.43	(273,478.23)		(8,055.47)	9,419.42	
Total Federal Financial Awards						\$ (294,754.27)	\$ 995.36	\$	\$ 1,530,719.26	\$ (1,373,907.38)	\$	\$ (116,049.81)	\$ 9,419.42	\$

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance, Schedule B
For the Fiscal Year ended June 30, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2011			Cash Received	Budgetary Expenditures	Adjustments Repayments of Prior Yr's Balances	Balance at June 30, 2012			MEMO		
					Deferred Revenue (Accounts Rec.)	Due to Grantor	Carryover (Walkover) Amount				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education																
General Fund:																
Equalization Aid	11-495-034-5120-078	\$ 7,126,256.00	7/1/10	6/30/11	\$ (680,438.00)	\$	\$	\$ 680,438.00	\$	\$	\$	\$	\$	\$	\$	
Equalization Aid	12-495-034-5120-078	7,126,256.00	7/1/11	6/30/12				6,413,634.00	(7,126,256.00)		(712,622.00)		*	(712,622.00)	7,126,256.00	
Transportation Aid	12-495-034-5120-014	289,083.00	7/1/11	6/30/12				289,083.00	(289,083.00)				*		289,083.00	
Non-Public Transportation Aid	12-495-034-5120-014	11,684.07	7/1/11	6/30/12					(11,684.07)		(11,684.07)		*		11,684.07	
Non-Public Transportation Aid	11-495-034-5120-014	14,279.38	7/1/10	6/30/11	(14,279.38)			14,279.38								
Special Education Categorical Aid	11-495-034-5120-089	672,662.00	7/1/10	6/30/11	(64,228.00)			64,228.00								
Special Education Categorical Aid	12-495-034-5120-089	672,662.00	7/1/11	6/30/12				607,671.00	(672,662.00)		(64,991.00)		*	(64,991.00)	672,662.00	
Security Aid	11-495-034-5120-084	99,164.00	7/1/10	6/30/11	(9,468.00)			9,468.00								
Security Aid	12-495-034-5120-084	162,655.00	7/1/11	6/30/12				146,394.00	(162,655.00)		(16,261.00)		*	(16,261.00)	162,655.00	
Extraordinary Aid	12-100-034-5120-473	40,679.00	7/1/11	6/30/12					(40,679.00)		(40,679.00)		*		40,679.00	
Extraordinary Aid	11-100-034-5120-473	134,511.00	7/1/10	6/30/11	(134,511.00)			134,511.00								
Anti-bullying Aid	N/A	4,161.00	7/1/11	6/30/12				4,161.00	(4,161.00)				*		4,161.00	
On-behalf TPAF Pension Cont - Post Ret Med	12-495-034-5095-001	497,834.00	7/1/11	6/30/12				497,834.00	(497,834.00)				*		497,834.00	
On-behalf TPAF Non-Contributory Ins.	12-495-034-5095-007	247,646.00	7/1/11	6/30/12				247,646.00	(247,646.00)				*		247,646.00	
Reimbursed TPAF Social Security Contributions	11-495-034-5095-002	573,905.34	7/1/10	6/30/11	(2,176.03)			2,176.03								
Reimbursed TPAF Social Security Contributions	12-495-034-5095-002	561,539.90	7/1/11	6/30/12				559,724.76	(561,539.90)		(1,815.14)		*		561,539.90	
Total General Fund					(905,100.41)			9,671,248.17	(9,614,199.97)		(848,052.21)			(793,874.00)	9,614,199.97	
State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program (State Share)	12-100-010-3350-023	6,589.93	7/1/11	6/30/12				6,362.09	(6,589.93)		(227.84)		*		6,589.93	
National School Lunch Program (State Share)	11-100-010-3350-023	6,692.19	7/1/10	6/30/11	(379.71)			379.71								
Total Enterprise Fund					(379.71)			6,741.80	(6,589.93)		(227.84)				6,589.93	
Total State Financial Assistance					\$ (905,480.12)	\$	\$	\$ 9,677,989.97	(9,620,789.90)	\$	\$ (848,280.05)	\$	\$	\$ (793,874.00)	\$ 9,620,789.90	

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Township of Franklin School District
Notes to the Schedules of Expenditures of Awards and Financial Assistance
For the Fiscal Year Ended June 30, 2012

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Township of Franklin School District. The Board of Education is defined in Note 1 to the Board's basic financial statement. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A.*, 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund, where applicable, also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$39,740.00 for the general fund and \$8,431.25 for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Township of Franklin School District
Notes for Schedules of Expenditures of Awards and Financial Assistance
For the Fiscal Year Ended June 30, 2012

Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund*	\$ 319,732.32	\$9,574,459.97	\$ 9,894,192.29
Special Revenue Fund	800,585.48		800,585.48
Food Service Fund	<u>273,478.23</u>	<u>6,589.93</u>	<u>280,068.16</u>
Total Awards and Financial Assistance	<u>\$1,393,796.03</u>	<u>\$9,581,049.90</u>	<u>\$10,974,845.93</u>

*Includes On-behalf TPAF Pension Contributions and Reimbursed TPAF Social Security Contributions.

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

The Township of Franklin School District had no loan balances outstanding at June 30, 2012.

NOTE 6. SCHOOLWIDE PROGRAM FUNDS

As the District's Federal Programs are on a targeted student group basis, there are no schoolwide programs in the District.

NOTE 7. MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Cost.

NOTE 8. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2012. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? _____ yes X none

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? _____ yes X no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.410	Education Jobs Fund
84.027	IDEA – Part B
84.173	IDEA – Preschool
84.391	ARRA – IDEA Part B
84.392A	ARRA – IDEA Preschool

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? X yes _____ no

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

Section I - Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? X yes _____ no

Internal control over major programs:

1) Material weakness (es) identified? _____ yes X no

2) Significant deficiencies identified that
are not considered to be material
weaknesses? _____ yes X none
reported

Type of auditor's report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to
be reported in accordance with NJOMB
Circular Letter 04-04 _____ yes X no

Identification of major programs:

GMIS Number(s)	Name of State Programs
12-495-034-5120-078	Equalization Aid
12-495-034-5120-089	Special Education Categorical Aid
12-495-034-5120-084	Security Aid

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

Section II - Financial Statement Findings

Finding: NONE

Criteria or specific requirement:

Condition:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

FEDERAL AWARDS

Finding: NONE

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs
(continued)**

STATE AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**TOWNSHIP OF FRANKLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

This section identifies the status of prior - year findings related to the basic financial statements and Federal and State awards that are required to be reported in accordance with Chapter 6.12 *Government Auditing Standards*, USOMB Circular A-133 (Section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

NONE